

A European Strategy for Jobs

Panel Says Growth Can Help Cut Unemployment in Half

By Reginald Dale
International Herald Tribune
PARIS — Western Europe could reduce the swollen ranks of its unemployed by more than half by the mid-1990s if governments adopted an aggressive new strategy of job creation and economic growth, a high-level international commission suggested Tuesday.

The independent commission, headed by the former Austrian chancellor, Bruno Kreisky, called for a concerted effort to boost economic growth in Western Europe in coming years "from the 2 percent a year currently projected to an employment-generating 3.5 percent or more."

But faster growth alone would not be enough "to make a substantial dent" in Western Europe's unacceptably high levels of unemployment, the panel said. Economic growth should be "twisted" so as to minimize environmental damage and maximize the creation of high-quality jobs.

With 20 million Europeans out of work, "mass unemployment looks set to persist well into the 1990s," the commission warned.

Western Europe's 11 percent jobless rate compares with just over 5 percent in the United States and less than 3 percent in Japan.

Although the commission's final report is not due to be published for several weeks, its main conclusions were made available in draft form in Paris on Tuesday.

The 70-member commission, including employer and trade union representatives, scientists, labor experts and politicians, was set up at the instigation of the European trade union movement in 1986. It was financed by the governments of Finland, Sweden, Austria, Norway and Luxembourg.

Although Mr. Kreisky stressed on Tuesday that the commission was nonpolitical, many of its proposals seemed more in tune with his own Social Democratic background than with conservative free-market thinking.

While the need for faster expansion in Western Europe has been argued by many economists, not all would go along with the more interventionist elements in the Kreisky commission's approach.

The unprecedented and sustained growth of unemployment in Western Europe since the mid-1970s had contributed "to a mood of political defeatism and social apathy in the face of persistently high levels of joblessness," the commission said.

It said that if mass unemployment took root in Western Europe, "in the very long run it may pose a real threat to democracy itself."

If the proposed new strategy was adopted, however, the current 11 percent unemployment rate could be reduced to around 5 percent by the mid-1990s, the level prevailing in 1979, the panel said. That would involve a reduction of about one percentage point a year.

What is needed is "a coordinated program of European expansion, which will ensure that risks for the balance of payments and government indebtedness are minimized," the commission said.

In recent years, governments had

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With Pomp, the First 450 Cuban Soldiers Leave Angola
Members of a Cuban women's anti-aircraft team at a ceremony Tuesday for the departure of the first 450 Cuban troops from Angola 13 years after a Cuban expeditionary force was sent there. The troops, watched by United Nations military observers, marched onto planes at Luanda airport to the music of military bands. They carried a faded Cuban flag that the first soldiers brought to Angola in 1975, before the overthrow of Portuguese rule.
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U.K. Crash Inquiry Seeks Cause Of Shutdown of Jetliner's Engine

By Sheila Rule
New York Times Service
LONDON — Investigators of the jetliner crash Sunday night in central England have found evidence that the plane's right engine shut down in flight and that there was a fire in its left engine, Britain's transport secretary said Tuesday.

But the secretary, Paul Channon, speaking in Parliament, said that investigators had not determined the precise cause of the engine failure, which forced the British Midland Airways down along a major highway about 100 miles (162 kilometers) north of London.

Mr. Channon said that any significant findings of the investigation would be made public as soon as possible. The crash was Britain's second major airline disaster within three weeks; on Dec. 21, a Pan American Airways Boeing 747 was blown apart by a bomb over Lockerbie, Scotland, killing 270 people.

The principal engineering inspector involved in the British Midland investigation said earlier Tuesday that no evidence of either fire damage or mechanical failure had been found in the right engine and that investigators were seeking to establish why that engine was shut down.

The aircraft, a Boeing 737-400, is designed to be safely landed, even if one engine fails.

The death toll in the accident rose Tuesday to at least 44 persons, with 78 survivors remaining in hospitals.

The domestic airliner was on a scheduled flight to Belfast, carrying 118 passengers and eight crew members.

Mr. Channon said that investigators were concentrating on information about the engines gathered from the flight data and cockpit voice recorders, both of which were recovered.

Experts, who have characterized as minuscule the chance that both engines would fail at the same time, will also talk to members of the crew, all of whom survived. They have ruled out sabotage.

The transport secretary said that the pilot, whose back and legs were broken, reported a fire in the right engine 15 minutes after takeoff. The pilot tried to make an emergency landing at the East Midlands Airport but fell short by about half a mile.

"The fire was apparently successfully dealt with," Mr. Channon said. He said the captain had asked for permission to divert to East Midlands Airport for an emergency landing.

"Eyewitnesses report that during the final approach to the airport the aircraft descended below the normal path with the engine making unusual noises," he said.

The aircraft was 12 weeks old and had 500 hours of flying time. The Boeing 737-400 series was introduced last year, but British airlines with 737-400s, including British Midland, Dan-Air and Air UK Leisure, have voluntarily withdrawn the jets from service.

The type of engines powering the plane, the CFM 56-3C model, jointly built by General Electric

Co. of the United States and SNECMA of France, is tried and tested. It has been in service on the Boeing 737-300 series since 1984 and also powers the Airbus A-320.

Reuters quoted a General Electric spokesman in Cincinnati on Tuesday as saying that the company was being sued by an employee who alleged that some CFM-56 engine parts, including timer assemblies, were not properly tested.

The spokesman said the engines involved in the crash performed normally during production tests and "displayed no characteristics which would be associated with a malfunctioning timer assembly."

Chinese Economists Urge End to State Ownership

By Nicholas D. Kristof
New York Times Service
BEIJING — In a bold proposal, three influential Chinese economists with close ties to the government have called for China to abandon state ownership of industry.

The proposal would transfer ownership of all China's state-owned companies to shareholders, including individuals, universities, institutions and local governments.

The economists, all Communist Party members in senior positions at government institutions, presented their ideas in writing to the Communist Party leader, Zhao Ziyang, two weeks ago, according to Hua Sheng, the most prominent of the three economists. He said the ideas had also been discussed with other high-ranking officials.

Mr. Hua, who spoke in a four-hour interview on Sunday night, is ensconced with his colleagues in a guest house belonging to China's State Council — the rough equivalent of a cabinet in Western countries — so that they can prepare their ideas for publication.

Mr. Hua said he and his colleagues are seeking not only greater economic efficiency for China, but also eventual political restructuring. The proposal, he said, would create a class of universities and corporations independent from the government and able to exert pressure for greater democracy.

"Right now universities are just like government agencies," Mr. Hua said. "If they were economically independent, then universities could become strongholds for democracy."

The economists' proposal is to be published next month in an official journal and expanded into a book due for publication in Chinese in May. An English-language edition is expected by the end of the year.

Mr. Hua said there had been no reaction to the proposal from top leaders. He acknowledged that the plan would meet opposition and said he doubted it would be adopted in the next six months, because China is focusing on ways to stabilize its overheated economy.

But he said that when the economy has been stabilized, perhaps by the middle of the year, the proposal is likely to be considered and eventually to be adopted.

In a sign of government interest, People's Daily carried a long article Monday about Mr. Hua and his ideas. People's Daily, which is published by the Communist Party, did not directly include the suggestion that China abandon state ownership, but it did note with approval that Mr. Hua had "courageously pointed out that public ownership no longer is the premise of socialism."

Separately, the English-language newspaper China Daily began publishing a four-part series on the ideas of Mr. Hua and his colleagues Monday. It also did not directly mention the privatization proposal.

Mr. Hua, who at 36 is head of the microeconomics department at the Chinese Academy of Social Sciences' Institute of Economics, is considered a *wunderkind* in Chinese economic circles. His education included a year at Oxford University, and he plans to return there this month to begin studies for a doctorate in industrial economics.

His collaborators, in the current proposal and in several previous projects, are Zhang Xuejun, 34, the head of planning and statistics at the economics institute, and Luo Xiaopeng, 41, a manager of national economic research in the State Council's Research Center for Rural Development. In the last five years, their proposals have led to

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Kremlin Decrees Vote List

Politburo Leaves Little Room for Party Democracy

By Craig R. Whitney
New York Times Service
MOSCOW — In a nomination process proudly heralded as democracy itself, the Communist Party's Central Committee rubber-stamped a list of 100 candidates Tuesday that the ruling Politburo submitted to it for the 100 seats that the party will fill in the Soviet legislature to be elected in March.

The meeting took less than four hours to approve the list and a party electoral platform. By their decision to recommend only 100 candidates, the 12 voting members of the Politburo did not even leave the Central Committee a choice to exercise when it meets again March 15 and 16 for the formal vote.

President Mikhail S. Gorbachev said that the Politburo picked from among 207 candidates selected by Central Committees in the 15 Soviet republics, and 105 other names submitted directly to the Central Committee, according to the official news agency, Tass.

Any Communist thus had an opportunity to be nominated, Mr. Gorbachev said, and party members at the factory level nominated 31,500 across the country.

There, it would seem, democracy in the Western sense both began and ended. Judging by accounts of chicanery published in the Soviet press recently, people in a country ruled by autocrats and dictators for hundreds of years are finding it hard even to imagine how to run a democratic election campaign.

One participant in the plenary session Tuesday told local officials traveling with her on the plane to Moscow that participants had not been told in advance what the purpose of the meeting was.

"Quite a lot has been said about the Communist Party's role as the political vanguard of society in conditions of *perestroika*," Mr. Gorbachev told the meeting, "out it is legitimate to say that far from everyone has realized what this means in actual fact."

Soviet labor unions and other nationally organized groups will elect 650 members of the 2,250-seat Congress of People's Deputies, and 1,500 more will be elected by voters across the country on March 26.

The nominations for the latter will start at the workplace level, and individual candidates can submit their names for nomination, but the new Soviet electoral law does not guarantee that more than one candidate for each seat will appear on the ballot.

According to the law, if more than two candidates have been

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Klosk

Mexico Seizes Union Leader

MEXICO CITY (Reuters) — Mexican authorities arrested Mexico's top oil union leader and 20 of his colleagues Tuesday on charges of smuggling arms into the country, after soldiers firing bazookas raided his home, the attorney general's office said.

The raid took place on the home of Joaquin Hernandez Galicia, the leader of the powerful Mexican Petroleum Workers Union, which supports the governing Institutional Revolutionary Party.



The Chinese dissident Fang Lizhi has appealed to Deng Xiaoping to announce a general amnesty. Page 7.

General News

Rom approved stricter curbs on experts of sensitive materials. Page 7.

Arts/Lessure

Indian menswear designers send the yuppie packing. Suzy Menkes reports. Page 8.

Down Close The Dollar in New York

Down	DM	1.8355
6.25	Pound	1.7865
	Yen	176.25
	FF	6.2515

At Home, Gadhafi May Face Religious Turmoil

By Jennifer Parmelee
Washington Post Service
TRIPOLI, Libya — Colonel Moammar Gadhafi is facing a surge of activism by Muslim fundamentalists at home, according to diplomatic and other sources.

There have been several outbreaks of fundamentalist-inspired turmoil at Tripoli's Al Fatah University in the past few months, the sources said, including a demonstration Sunday, resulting in several arrests that was blamed on the Muslim Brotherhood.

The disturbances, according to the sources, who spoke on condition of anonymity, result from Colonel Gadhafi's loosening of his domestic rein.

A visit to the campus Monday showed no visible signs of any clash and no significant police presence. Students, seemingly relaxed, chatted in groups between classes.

People who worked nearby said roads were blocked off around the campus by the authorities, and diplomatic and other sources said there had been a few arrests. There were no details about the nature of the demonstration or why the reported arrests were made, and no mention of any on-campus activity in the Libyan news media.

The reported growth of Muslim student activism, reflected by a noticeable increase in the wearing of headscarves by young women on campus and in the capital, has been accompanied by outspoken political discussions at mosques during Friday prayer sessions, the sources said.

Slogans denouncing Colonel Gadhafi have appeared periodically on campus walls but have quickly been removed, according to an Arab source who spoke to professors at the university.

Colonel Gadhafi reportedly remains popular and recent months of political and economic relaxation have quieted most of the grumbling that threatened to grow out of control in past years. But

while religious fundamentalism does not appear to pose an immediate threat to his regime, Colonel Gadhafi is taking it seriously, the sources said.

The Arab source with university contacts said Mr. Gadhafi had planted infiltrators among students and in mosques to inform and to give the impression that any opposition was inspired by "Americans and other imperialists."

Colonel Gadhafi has always portrayed himself as a devout Muslim. When he took control in a 1969 coup, one of the first things he did was to ban alcohol. "This is an

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A Fats-Free Zone Sprouts in California

By Katherine Bishop
New York Times Service
SAUSALITO, California — At a sunny Sunday brunch on the terrace of the Alta Mira Hotel here, W. Patrick Holt dug into what could be called the restaurant's Cholesterol Special: steak, fried eggs and french fries.

"I try to eat eggs and red meat every day if I can," Mr. Holt said. "Do you think it's bad for me?"

In this picturesque village of 7,500 people across the Golden Gate Bridge from San Francisco, a village that has proclaimed its intention to become the nation's first cholesterol-free zone, such behavior amounts to anarchy.

Enter Fred Mayer, the local pharmacist who founded public health campaigns that are nationally known, including the Great American Smokeout and National Condom Week.

Now, if Mr. Mayer has his way, nobody here will be asking, "Where's the beef?" "More than one quarter of adults in the United States have cholesterol levels high enough to put them at risk for a heart attack," he said. "Our goal is to get people to know their cholesterol levels and demand cholesterol-free foods."

To this end, all 105 municipal employees will have their blood screened on Feb. 14 in a show of solidarity. The ice cream shop is offering a creamless frozen dessert. The pizza parlor is cooking with olive oil and topping its pies with low-fat cheese.

Extremism in defense of health is hardly unusual here in trendy Marin County, but such fitness fundamentalism may seem a little odd coming from the community that supplied bootleg liquor to San Francisco during Prohibition.

"It's a funny public relations move," said

"I try to eat eggs and red meat every day if I can. Do you think it's bad for me?"

Eric Schrier, editor of Hippocrates magazine, an award-winning health and medical monthly published here. "And there's something to be said for putting humor in the health consciousness drive."

Despite the counsel given by publications like his own, Mr. Schrier said surveys indicated that most people remained confused about crucial issues like the role of high-density lipoproteins, the "good" cholesterol produced by the body that can be increased by exercise, and saturated versus polyunsaturated

ed versus mono-unsaturated fats. Certain saturated fats raise the level of cholesterol circulating in the blood.

Mr. Holt was not the only scofflaw in town. Sharing his table, Kelly Griffith was sampling the special of three eggs scrambled with Cajun sausage and hash browns. Her companion, Joel Trimborg, was having eggs Benedict, a dish often described as eggs on eggs.

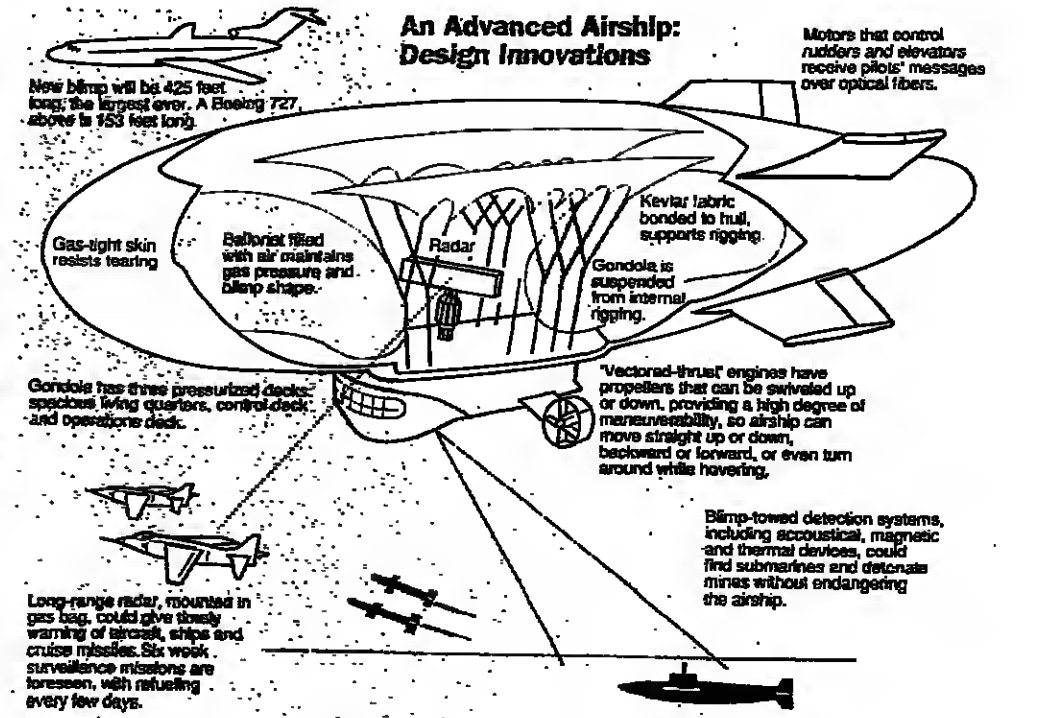
The health of their arteries was not completely blocked from their minds, however. They had been careful to order their whole wheat toast without butter.

John MacDonald, chef at the Alta Mira, says these brunches laden with saturated fat are part of the "traditional menu" for which the restaurant is known. But he has revised his repertoire to include dishes without rich sauces and with little salt.

Still, the good intentions of the kitchen are often undermined at the table, where diners frequently add extra salt to their food.

"The husband takes the salt shaker and shake, shake, shake," said William Wachter, owner and manager. "The wife takes it right out of his hand — shake, shake, shake. They don't even taste the food first."

Response to Sausalito's fat-free philosophy has been overwhelming, said Robin Sweeney, the mayor. Letters have come from all over the country saying, "Good for you," she said.



Latest U.S. Military Craft: A Blimp

By Malcolm W. Browne
New York Times Service
ELIZABETH CITY, North Carolina — A quarter century after the U.S. Navy consigned its last dirigible airship to the scrap heap of antiquated weapons, a gigantic new blimp is taking shape to defend America against cruise missiles, drug smugglers and other modern threats.

The airship, designated by the Defense Department as the YEZ-2A, will be 425 feet long (130 meters long) and filled with 2.5 million cubic feet of helium, and will be the largest blimp ever built.

Equipped with powerful radar and capable of patrolling for as long as five days without refueling, the YEZ-2A is intended to become a formidable sentry for the navy, air force, coast guard and civilian police agencies.

Supporters of the ship say that it will combine some of the most useful surveillance features of satellites, airplanes and surface ships, and that because it is made mostly of nonmetal substances, it will be nearly invisible to enemy radar.

Its own big radar antenna, mounted inside the gas bag, will be capable of giving timely warning of the approach not only of low-flying smugglers' aircraft, but also of bombers, ships, and even supersonic cruise missiles bugging the waves.

While flying 100 feet or so above the ocean, the ship will be able to tow mine-sweeping devices that could detonate mines without endangering the blimp.

Unlike helicopters, which use large amounts of fuel and power to remain stationary, the blimp could hover indefinitely over a spot where its towed listening devices detected a submarine.

Military planners hope the new blimp will begin flying in 1992.

The great dirigibles of the 1930s, which had rigid aluminum skeletons to maintain their shape and to support an internal string of cylindrical gas bags, were much larger than blimps.

The German rigid airship Hindenburg, one of the two largest airships ever built, was 804 feet long and contained more than 7 million cubic feet (210,000 cubic meters) of hydrogen, an explosive gas.

Most of the big rigid airships of the past, including the Hindenburg, came to grief in explosions or crashes.

By contrast, helium blimps like the familiar Goodyear airships

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Colombia's War on Drug Barons Fades Into Co-Existence

By Michael Isikoff
and Eugene Robinson

Washington Post Service

BOGOTA—After years of violent warfare with the barons of the cocaine trade, Colombian leaders are becoming resigned to an idea that was once unthinkable: accepting the drug cartels as a permanent feature of Colombian society.

No formal truce has been declared, nor is one likely. But among the political and business elites, a striking consensus is emerging: The drug traffickers, with their ruthless private armies and vast land holdings, have become too big and powerful to be destroyed.

No longer do government officials vow to rid the nation of the cartels any time soon. "We can attack the problem and try to reduce it," said Fernando Navas, an assistant attorney general. "But eliminate it? We can't."

This new mood of fatalism comes as the drug traffickers—having defied efforts by the Colombian Army and U.S.-trained narcotics police to catch them—appear to be extending their reach. With annual profits in billions of dollars, they are steadily expanding their share of the Colombian economy, acquiring large cattle ranches and forming alliances with conservative landholders and rightist elements of the military.

Some of the prominent traffickers—particularly Gonzalo Rodríguez Gacha, a leader of the Medellín cartel—are moving into mainstream politics. During mayoral elections last year, traffickers associated with Mr. Rodríguez Gacha gained control of five city governments in the northern province of Magdalena, giving them a base for what could become a drug state, according to sources in Bogotá.

One twelfth of Colombia's productive farmland is now owned by drug traffickers, according to one recent estimate. One of the four



In Medellín, a stronghold of the traffickers, civic pride slogans proclaim its "good people."

principal television stations in Bogotá and a nationwide chain of radio stations are controlled by them. So are car dealerships, supermarkets, office buildings, discount drug stores and at least six professional soccer teams.

"These people are more powerful than the state," said Juan Manuel Santos, a senior executive of El Tiempo, the largest-circulation Colombian newspaper, expressing a common opinion.

There are even signs that the cocaine traffickers are diversifying within the drug business. Officials have been finding an increasing number of opium poppy fields in rural areas, possible evidence that the cartels are planning to break into the world heroin market. In 1988, the Colombian authorities found and destroyed nearly 240 hectares (600 acres) of opium poppies, for the first time more than the acres of coca eradicated.

For U.S. officials fighting the war on drugs, the growing sense of impunity is jarring and ominous. The two principal trafficking cartels that operate in Colombia—one based in the city of Medellín, the other in the city of Cali—are integrated conglomerates that U.S. authorities say control about 80 percent of all the cocaine smuggled into the United States every year. In Medellín, a booming metropolis of 1.7 million that is the second



largest city in Colombia, rows of luxury apartment blocks capped with satellite dishes line the northern sectors where many of the traffickers live. The city government, whose mayor last year called for negotiations with the traffickers, has launched a new civic pride campaign.

In the past, U.S. officials have talked about smashing the cartels, arresting their leaders and extraditing them to the United States to stand trial. Now, officials talk privately about "holding the line" on drug consumption in the United States.

"If we believe that we can turn this around in a couple of years, then we have a total misconception of what we're doing here," said the U.S. ambassador, Thomas McNamara. "This is a long struggle."

In developing their global business, the cartels have shown a propensity for violence. In the past four years, they have killed an attorney general, a minister of justice, more than 50 judges, more than a dozen journalists and more

than 400 policemen and military personnel.

Virtually every official in Colombia who speaks out against the traffickers receives death threats and ends up on a death list.

"There are hundreds of these death lists," said Clara López, a political activist and a former member of the Bogotá city council who is driven about in an armored car escorted by two police motorcycles and a jeep carrying private bodyguards. "There are national death lists and there are the local death lists. Then there are the public death lists and the unpublished death lists. After a while, you become very nonchalant."

Only a year ago, Colombians appeared to have reached the limits of outrage when the attorney general, Carlos Mauro Hoyos, was gunned down on his way to the Medellín airport. President Virgilio Barco Vargas, seeking vengeance, unleashed the 4th Army Brigade.

During the next several months, the brigade staged a series of raids on the haciendas and homes of the leading traffickers. In one case, a leader of the Medellín cartel, Pablo Escobar Gaviria, reportedly was forced to flee in his underwear through a network of underground tunnels.

Today, the army campaign is dormant, officials say. The brigade's intelligence chief recently was found to have been on Mr. Escobar's payroll. None of the major traffickers has been caught, and nobody knows what would be done with them if they were.

Meanwhile, talk of extraditing the drug traffickers—once the principal goal of U.S. law enforcement officials—has vanished. Barely 18 months ago, the Colombian Supreme Court, amid threats and intimidation from the traffickers, effectively invalidated the U.S.-Colombian extradition treaty.

WORLD BRIEFS

U.S. Arrests Ex-Navy Officer as Spy

WASHINGTON (AP)—A retired navy chief petty officer was arrested Tuesday on charges that he tried to sell the Soviet Union secret information about anti-submarine warfare strategy, the FBI said. The agency said the Soviets received no information from the man.

Craig D. Kunkle, 39, of Virginia Beach, Virginia, was charged with espionage, gathering or delivering classified information to a foreign government and disclosure of classified information, said an FBI spokesman. A source said Mr. Kunkle was arrested while the investigation was begun when the suspect telephoned the Soviet Embassy with an offer to pass along secret information, the source said.

Population Policy Failing, China Says

BEIJING (Reuters)—An official newspaper said Tuesday that China's population would overshoot the government target for the year 2000 by 120 million if current trends continued. It was the highest estimate yet by Chinese officials.

"For the sake of the Chinese race, and to prevent the tragedy of the population explosion, let us all wake up from our apathy," a front-page editorial in the Economic Daily said, warning that China's tough birth control policies were failing.

It said there would be 1.32 billion Chinese by the end of the century unless the country reduced its birth rates. Chinese officials last year acknowledged that government population goals would be hard to achieve because of widespread defiance of the one-child-a-couple policy. "Our country's goal has been to control population to 1.2 billion by the end of the century; the outlook is truly grim," the newspaper said. China's population is 1.1 billion.

Thais Ban Logging of Tropical Forest

BANGKOK (Reuters)—The Thai government, reacting to public outrage over rampant deforestation, on Tuesday ordered a nationwide ban on any further logging in the country's tropical forests.

The cabinet issued a decree abrogating all timber concessions. It said compensation would be paid to companies affected.

The bold political move by Prime Minister Chuan Choonhavan's government followed floods in November in southern Thailand that created an avalanche of mud and timber from denuded hillsides. Villages were wiped out and at least 350 people were killed.

Reagan Farewell to Be Very Personal

WASHINGTON (UPI)—President Ronald Reagan's televised farewell address Wednesday night will be "highly personal," with a look back at his accomplishments over the past eight years and the goals ahead, his spokesman said Tuesday.

The spokesman, Martin Fitzwater, said that Mr. Reagan spent several hours Monday working on the speech, which will be delivered from the Oval Office at 9 P.M. EST (10 P.M. GMT Thursday). He said the speech would be a "highly personal" evaluation of "what he tried to do, his accomplishments, a look at the world."

Reminded that Mr. Reagan has been acerbic in his recent speeches with harsh parting shots at Congress, special interests and the press, Mr. Fitzwater said: "His beliefs have not changed. He believes the least government is the best government."

Hungary Says Moscow to Pull Troops

BUDAPEST (AP)—Soviet troops are to begin withdrawing from Hungary within weeks, the Hungarian Communist party leader, Karoly Grosz, was quoted as saying.

Defense Minister Colonel General Ferenc Karpati said on television that preparations for the withdrawal of "major military units" including an armored division, was nearing completion.

Neither he nor Mr. Grosz gave a firm date for the start of the pullout. The news agency MTI quoted Mr. Grosz as telling a Japanese publication, Nihon Keizai Shimbun, that the pullout was "to commence within weeks." The Soviet Union has about 62,000 troops stationed in Hungary, according to the Communist Party daily, Nepszabadsag.

Thousands Demonstrate in Titograd

BELGRADE (Reuters)—Tens of thousands of Yugoslavs demonstrated in the southern city of Titograd on Tuesday, reviving a wave of militant street protests and underlining the worsening political and economic crisis that toppled Prime Minister Branko Mitkovic's government last month.

Witnesses said by telephone that more than 30,000 workers and students gathered in front of the regional parliament in Titograd, capital of the republic of Montenegro.

They were demonstrating against austerity and misrule and vowed to topple Montenegro's regional administration. Local journalists said the protesters demanded the resignation of the entire Montenegro state and Communist Party leadership. They also called for the dismissal of Vojko Zaskovic and Marko Orlovic, who represent Montenegro in the Communist Party Politburo, and of Veselin Djundjovic, member of Yugoslavia's highest constitutional body, the State Presidency.

For the Record

France resumed work on an airstrip in Antarctica after protests by Greenpeace, the government said Tuesday. The Ministry of Overseas Territories said work on a second site was suspended. The environmental group says the strip will destroy breeding grounds of rare penguins. (AP)

Egon Bahr, one of West Germany's architects of reconciliation with the Soviet bloc, said he was ending his 17-year career in parliament. Mr. Bahr, who with former Chancellor Willy Brandt helped steer the nation on a course of improved relations with Moscow and the Warsaw Pact, said he was stepping down "to make room for younger candidates." (AP)

NATO's national chiefs of staff elected Norway's chief of staff, General Vjekoslav Eide, on Tuesday to succeed the West German general, Wolfgang Altenburg, as the alliance's top soldier. (Reuters)

Correction

Because of an editing error, the worldwide number of AIDS cases listed by the World Health Organization was erroneously reported in Tuesday's edition. WHO reported a total of 132,976 cases since the epidemic began in 1979, of which 37,680 occurred in 1988.

Sudan Rebels Say Libya Used Chemical Arms

By Robert Pear

New York Times Service

WASHINGTON—A spokesman for the Sudanese rebels said Monday that Libyan forces supporting the Khartoum government had used chemical weapons against them in the Sudan in the past six months. U.S. officials said they had been investigating the charges.

The officials, at the State Department and the White House, said that they had been unable to confirm or disprove the reports because U.S. diplomats had not visited the southern Sudan, where the attacks were said to have occurred.

But the officials said the United States had warned the Khartoum government, which has been considered friendly to Washington, that its close relationship with Libya was "inappropriate" because the United States believes that Libya is engaged in terrorism.

"Sudan is playing a dangerous game by getting too closely involved with Libya," a State Department official said Monday.

David D. Chand, a native of the southern Sudan who is a spokesman for the guerrillas, said in an

interview in Washington on Monday that Libyan Air Force planes used chemical weapons to drive Sudanese guerrillas from a garrison they had captured in Nasser, in the southern Sudan, in late 1988.

Mr. Chand, an assistant professor of political science at Georgia State University in Atlanta, said that Libyan planes had dropped chemical bombs on guerrilla forces in a garrison at Mayom, also in southern Sudan, in November and December of last year.

He said he believed the chemical bombs had come from Iraq and Libya.

"The Sudanese army does not have the knowledge or skill to use chemical weapons," Mr. Chand said, "but they hired Libyan pilots to fly sorties as part of a holy war against non-Muslims."

Hassan B. Abdellwahab, an official at the Sudanese Embassy in Washington, said: "I don't think there is any kind of chemical weapons in the Sudan. There is no way the Libyans could use these weapons in Sudanese territory." He said it was "shameful and scandalous" for the guerrillas to make such charges.

Prague Reports Halting The Export of Semtex

Reuters

PARIS—Czechoslovakia told Britain on Tuesday that it has stopped exporting Semtex, a plastic explosive that London says is widely used by the Irish Republican Army and other guerrilla groups.

A junior minister of Foreign Affairs, William Waldegrave, said that Foreign Minister Jarmir Jozefovic had given him the assurance at a meeting in Paris.

"The Czechs said they had not exported Semtex for some time," Mr. Waldegrave said at a news conference, adding, "That's an assurance that's helpful."

Czechoslovak experts are in Britain to determine whether Semtex, an odorless substance that is hard to detect, was used to blow up a Pan American World Airways

Boeing 747 that crashed in Scotland last month, killing 270 people.

Mr. Waldegrave said that Britain had never accused Prague of supplying the substance to terrorist groups. "The issue is whether we can make explosives more detectable," he said.

He said that Britain was "looking positively" at a Czechoslovak proposal for marking Semtex and making it easier to detect.

Mr. Waldegrave described as "a fair point" an argument by Mr. Jozefovic that similar explosives made in other countries were also in circulation.

He said that Czechoslovakia had proposed an international convention governing the export of such explosives, but had made it clear that it was not intended as a delaying tactic.

French Victim of Greek Ship Attack Is Cleared

By Barry James

International Herald Tribune

PARIS—Laurent Vigneron, the French tourist killed in the terrorist attack on the cruise ship City of Athens six months ago and then accused by the Greek authorities of involvement in the incident, has finally had his name officially cleared.

But the Greek government has not apologized for the false accusation.

The public prosecutor in Piraeus, Giorgos Vlassis, ruled that there was no evidence to justify claims that the 22-year-old student had taken part in the machine-gun and

grenade attack on the cruise ship in coastal waters near Athens.

Mr. Vigneron, his fiancée, Annie Avellan, and another French woman, Isabelle Bismuth, were among the nine persons killed in the attack.

The ruling brought to an end a six-month nightmare for Mr. Vigneron's family in the central French city of Bourges. His father, who works for an insurance company, and mother went into virtual

reclusion after the accusation and refused all comment.

"They were devastated," said Gilbert Collard, a lawyer in Marseille who is representing the family. "They have lived through a true horror story."

He said the family was relieved to learn that Mr. Vigneron had been formally declared innocent.

Mr. Collard has been putting pressure on the French and Greek authorities to clear Mr. Vigneron's name, and now plans to bring a defamation suit against the officials who implicated the young Frenchman, including those at the Piraeus port authority.

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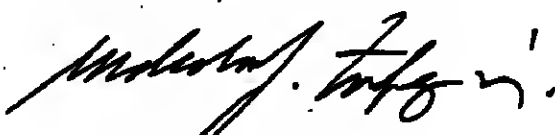
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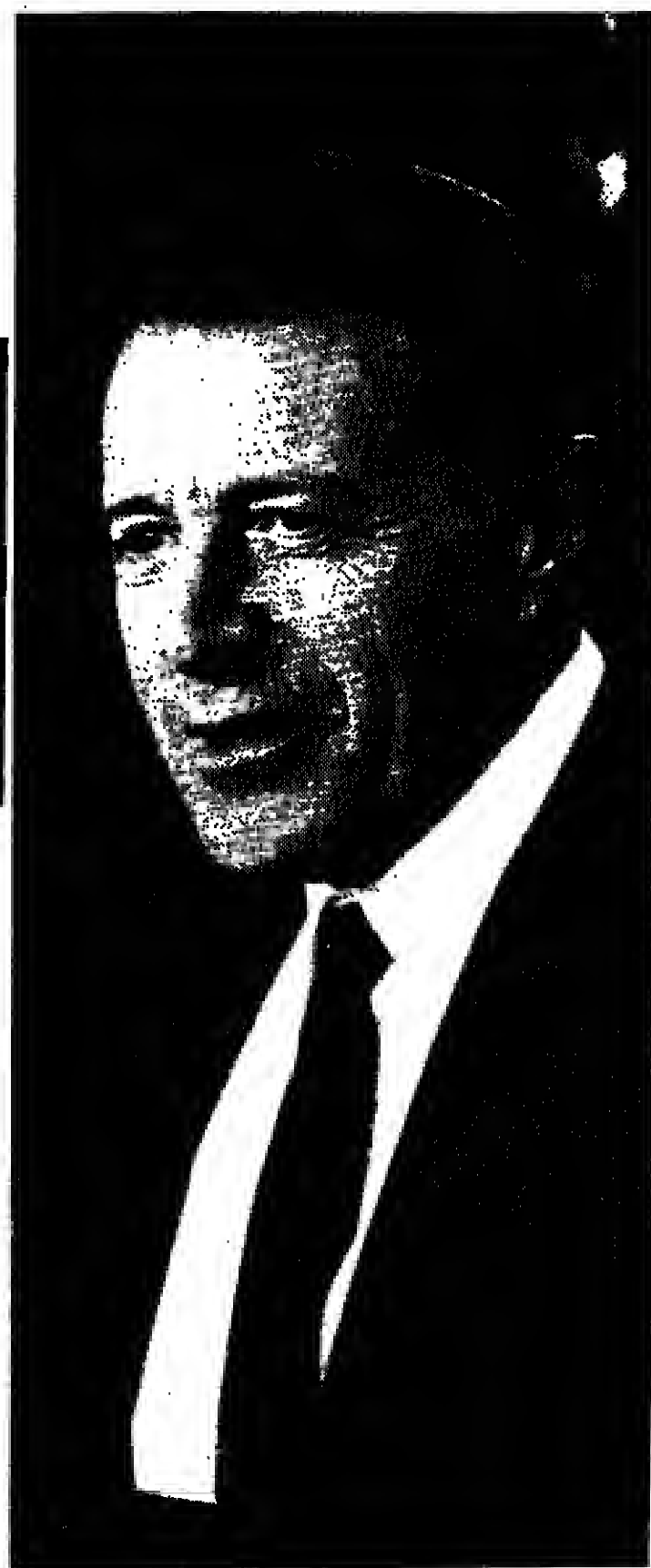
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Herald Tribune

The Budget Needs Redoing

Reading President Reagan's budget is an exercise in double vision. Over every number is the shadow of another one that George Bush and his budgeters may decide to write in. It would be wrong to dismiss the Reagan budget totally. It is the draft from which the Bush administration will have to produce, very quickly, its own program. But it is an unsatisfactory draft, and the focus now is on the changes Mr. Bush will have to make if his revision is to be taken seriously.

The authors of the Reagan budget are now trying to convey the impression that getting the deficit down to the limit set by the Gramm-Rudman-Hollings act was easy, just a matter of letting things take their course. It was nothing of the sort. They worked the deficit below the statutory \$100 billion only through an unusually heavy application of the familiar book.

As for the enormously expensive cleanup of the savings and loans industry, in the Reagan budget it proceeds at a very peculiar pace. The cost would be nearly \$9 billion this year, dropping to \$2 billion next year but then in the following year rising to \$6.6 billion. Does Mr. Bush, or anyone else, think that the condition of the S&Ls is going to improve magically next year, then suffer a relapse the year after?

The outgoing administration's other huge fiscal embarrassment, the health and safety violations at the nuclear weapons plants, will cost, by its own calculations, well over \$100

billion to correct. The Reagan budget increases spending for it by less than \$1 billion. That is the budgetary equivalent of a shrug—a refusal to deal with the subject.

The deepest and most contentious questions are once again going to be those of social equity, and particularly those that affect health care and retired people. The Reagan budget proposes to try to restrain Medicare costs by controlling certain doctors' fees. That is going to be necessary, but before anyone can form a judgment on this endeavor, more will have to be known about the way the Bush administration intends to carry it out. The Reagan budget would cut Medicaid, the program that covers some but not all of the poor, by pushing more of the load onto the states. Does that not violate Mr. Bush's campaign pledge to increase Medicaid coverage? This budget proposes to save money by canceling the cost-of-living adjustments in civil and military pensions. That is a bad idea in principle. Canceling them means that people get poorer as they get older.

Mr. Bush has only a few weeks to turn this budget into something different. If he preserves the spirit of this last Reagan budget and drives into a deadlock with Congress, it would be very bad for the economy, the country and himself. His revision of this budget is his opportunity to establish the tone and direction of his administration. The Reagan budget was written by people most of whom are leaving town. Mr. Bush, who expects to be here for a while, needs a budget that sets a plausible and realistic course for the next four years.

—THE WASHINGTON POST.

America Can Run Again

Twenty years ago, America's economy was the envy of friends and enemies, an engine of progress leading the world in virtually every branch of technology and generating the world's highest living standard. Today it is a panting giant, increasingly on the defensive in global competition for markets and economic influence.

Can the United States regain its economic vitality and restore the productivity gains that brought a better life for succeeding generations? That depends in part on the ability of Americans to adapt to an open, rapidly changing world economy and in part on learning from the stunning organizational successes of Japan.

Most of all, it depends on a willingness to rediscover America's special economic strengths, redirecting the energies of free markets toward innovation and investment.

For 20 years after World War II, American output per hour worked rose by a remarkable 3 percent a year, putting a Buick in every steelworker's driveway. But by the mid-1960s, efficiency gains from the shift to mass production and the consolidation of national markets were largely exhausted.

Productivity improvements since then have depended on technical innovation, and the pace has been alarmingly slow. Output per hour is growing by 1 percent a year, barely enough to pay for the good life that established workers and retirees have long assumed to be their due. The young and unskilled are going nowhere, slowly.

What can be done? There is no magic bullet, but surely there are better ways for Washington to direct the economy.

Compete: Act on the realities of global markets. When other economies were just moons to the American sun, all U.S. industries and their workers prospered as the economy matured. In the last decade, foreign competition has intensified as newly industrialized countries took advantage of low-cost ocean transport, cheap labor and efficient new plants.

The natural reflex is to try to protect jobs, businesses and communities with tariffs and quotas. But recent experience proves that only open competition and the threat of failure can force industry to modernize. And as the Japanese now understand, only a shift away from labor-intensive industries like shoes and clothing can ensure rising domestic wages and healthy markets for capital-intensive exports.

Save: Pull up our fiscal socks. Americans save far less than is needed to provide the capital to rebuild obsolete factories. Huge infusions of European and Japanese savings in the Reagan years have partly filled the gap. But America cannot depend on the

kindness of strangers to fund rapid growth. For all of the rosy rhetoric about the new Reagan budget, the U.S. deficit will still absorb a large chunk of domestic savings. One way or another, it must be eliminated.

Stimulate: Raise the return for innovation. It takes research and development to generate new technology. And it takes investment in new plants and machines to translate new technology into higher productivity. Sweetening the tax credit for R&D and restoring tax-based subsidies for investment would lower the cost of capital and speed technical change. It would also finesse the need for bureaucrats to guess which technologies will work and which will not.

America still invests more than any other country in R&D. But much of the talent and money goes into weapons, and much of the nonmilitary effort is fragmented or squandered on high profile projects without a tangible payoff.

Setting clear priorities for government-funded research would help. So, too, would cautious government intervention—like antitrust exemptions, subsidies for specific projects of corporations and universities and limited subsidies for corporate consortia.

Persist: Extend corporate time horizons. American managers, unlike their Japanese counterparts, rarely invest when the payoff is distant. That might be alleviated by reducing interest rates and subsidizing investment with tax breaks. But as President-elect Bush's advisers now argue, it may also make sense to alter corporate decision makers' incentives.

The tax code could be used to encourage corporations to link executive pay to long-term performance. A more radical approach that almost no one has yet dared to propose: Tax short-term trading in stocks, thus encouraging institutional investors to stand by companies for the long haul.

America's free-market economy continues to do many things very well. It remains huge and diversified and constantly bubbles up one successful company after another in lines of business most people have never heard of—let alone believe are entitled to public notice. It would be foolish to put these successes at risk by crudely mimicking the economic systems of utterly different cultures. But it would be equally foolish not to see what can be learned from Japan's successes, and act also on what America's own experience shows is needed to improve the environment for innovation.

The giant can run again instead of walk. Making that happen is the overarching challenge ahead for the president whose term will begin next week.

—THE NEW YORK TIMES.

Other Comment

Chemical Weapons: The Trick

A careful watch needs to be kept on the world's chemical manufacturers, dealers and contractors so that the proliferation of plants and weapons can be minimized. A system of international inspection similar to the one which operates in the nuclear energy field could be set up. A bold pledge such as Moscow has given about destroying its stockpile is admirable and encouraging, but it highlights the big difficulty about chemical weapons, which is that under current procedures, it is notoriously tricky to verify that promises are put into practice.

—The Age (Melbourne).

For a country that did not admit having chemical weapons until as recently as March 1987, the Soviet Union's willingness to discard such weapons represents a change of heart. The Soviet initiative could be highly significant. The world ex-

pects the United States and other chemical weapons-capable states to do the same. All chemical weapons should be destroyed.

—New Straits Times (Kuala Lumpur).

'Our Brothers in China'

We expect the Chinese authorities to promptly speak up and act decisively to ensure the speedy resolution of the crisis and the safety of all African students in their situation, in which the Chinese, whom we regard as our brothers and partners in development, treat our students as anything less than human beings. The Chinese government and people must properly acknowledge that any cooperation between them and Africans must be based on respect for each other's dignity and humanity. Nothing more is required. Nothing less will suffice.

—The National Concord (Lagos).

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 4637.93.00. Telex: Advertising, 613395; Circulation, 612832; Editorial, 612718; Production, 630698.

Director of the publication: Walter N. Thayer.

Editor for Asia: Michael Richardson, 3 Canterbury Rd., Singapore 0511. Tel: 472-7768. Te: RS5828
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S.A. au capital de 1.200.000 FRS. RCS Nanterre 52401126. Comptabilité Paritaire No. 61337
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No Deals With the Butchers of Cambodia

By Lorna Hahn

WASHINGTON — Suppose that at the close of World War II, Americans had argued that Nazis should be included in the postwar German government. After all, many Germans had supported the Nazi Party, including it in a new coalition would constitute an act of national reconciliation while preventing the Nazis from becoming an obstructionist force. Further, as the Nazis were firmly opposed to the Soviet Union, their participation in the government would help to ensure that Germany would be a bulwark against Soviet expansionism.

Of course no such argument was seriously considered. To the contrary, Americans vowed to eliminate all vestiges of a force whose conduct—including the slaughter of many German citizens—had violated the most basic tenets of civilized behavior. Why, then, is consideration now being given to including an equally barbarous group in the government of a liberated Cambodia?

The Communist Khmer Rouge, who ruled Cambodia from 1975 until the Vietnamese invasion of late 1978, had their own "New Order." As many as one-fourth of the Cambodians died; survivors were forced into rural labor camps; a once lovely and productive land was left desolate. Virtually all non-Khmer Rouge Cambodians, and all other concerned parties except their Chinese supporters, claim to abhor these destroyers of Cambodia. Yet despite resolutions in the United Nations and the Association of Southeast Asian Nations opposing a Khmer Rouge return to power, this is precisely what could happen unless other countries revamp their strategy toward Cambodia.

Ever since the Vietnamese entered Cambodia, getting them out has been the top priority for most Cambodian exile leaders, for the United States and for most other countries except the Soviet bloc and China. This is why Prince Norodom Sihanouk and former Prime Minister Son Sann formed a coalition government with the Khmer Rouge on the sole condition that such prominent officials as Pol Pot and General Ta Mok be excluded.

This is why the United States recognized this government, gave its noncommunist leaders a bit of aid, tantamount to a bribe, and encouraged Moscow to pressure its economically strapped ally. And that is why the initial departures of Vietnamese troops have been cheered, though

this has meant increased guerrilla fighting in the countryside and the growth of Khmer Rouge strength.

The second priority has been to replace the "puppet" regime of Prince Sihanouk with an interim administration headed by Prince Sihanouk and including Son Sann, elements of the present regime, and the Khmer Rouge. They must somehow be involved, we are told, because they conducted most of the anti-Vietnamese guerrilla actions, because China would be angry if they were excluded, because if excluded they could launch a war to overthrow the new government, and because if included they might be controllable by Prince Sihanouk.

These are specious arguments, stemming largely from the desire for a diplomatic quick fix. They portend disaster for the Cambodians.

It was the Khmer Rouge reign of terror that gave the Vietnamese, who long had harbored imperial ambitions toward Cambodia, the excuse to enter as "liberators." Of course the ousted Khmer Rouge have fought them—to try to return to power

themselves. For this they deserve no gratitude, and they no more deserve recognition as a bona fide political party than did neo-Nazis seeking to reincarnate the Third Reich.

The Chinese have been trying to polish the image of Khmer Rouge. Pol Pot's erstwhile deputy, who now represents the Khmer Rouge in the provisional government, and to promote him as a coming Cambodian leader, though he is remembered as a butcher. But with its own image tarnished by domestic problems and African students' charges of racism, Beijing might be open to friendly suggestions. Khmer Rouge and company. And if Beijing rejected such suggestions, well, if the United States, the Soviet Union and the ASEAN states firmly oppose a Khmer Rouge return, there would be little China could do to bring them back.

Those who believe that Prince Sihanouk could prevent a Khmer Rouge takeover cite his resignation last summer as head of the provisional government (on the ground that the Khmer Rouge sought to regain

control). But the pragmatic prince has a long record of active cooperation with the Khmer Rouge, and he is known to want to go with a winner. If, as president of an interim government, he should believe that the Khmer Rouge were indeed going to take over through violence of coercion, he would be apt to cut a deal with them. This must not be allowed.

Now that the Vietnamese are departing, America's top priority must be to prevent a Khmer Rouge takeover. This means excluding them from formal decision-making processes on Cambodia's future, while urging increased cooperation among all non-Khmer Rouge Cambodians, including the leaders of the ruling Kampuchean People's Revolutionary Party. They are Communists, but they are moderate dissidents who had fled Khmer Rouge excesses. They have shown a growing bent for capitalism and foreign investment, which has permitted the rebirth of the economy and social institutions while permitting most people to live without fear or repression.

More important, they have an estimated six divisions totaling perhaps 44,000 men. Combined with the small forces of Sihanouk and Son Sann, and actively assisted by the United States or an international grouping, they could be a match for the estimated 20,000 Khmer Rouge troops in Cambodia and their backups in Thailand. Khmer Rouge cadres should be offered amnesty if they lay down arms, or the chance to go to China or any other haven that will have them. But for their leaders, it must be made clear there is no place in Cambodia.

A firm U.S. commitment to a Khmer Rouge defeat should encourage Sihanouk to build the strong coalition that can make this possible. The incumbent government has indicated interest in such an arrangement. Forging a working alliance among Khmer Rouge opponents, while phasing out Vietnamese troops and replacing them with allied non-Khmer Rouge forces, will require careful planning and diplomacy. But given U.S. support, they should be able to form an interim government that will bring greater tranquility to Cambodia, permit the resettlement of exiles, and allow the people to prepare for free elections that ultimately will give them the political system and leaders they desire.

The writer is executive director of the Association on Third World Affairs. She contributed this comment to The Washington Post.



We've Known All Along Where the Terrorists Live

By A. M. Rosenthal

NEW YORK — One day perhaps the West will summon the moral and political courage to face the truth about terrorism. On that day, the conquest of terrorism will begin—but not until that day.

It is not that the West is ignorant of the truth. It has been known for years—to every intelligence branch, every diplomat, every national leader. But whenever a plane is hijacked or blown up or a hostage is snatched off the streets, the Western nations will around as if it had never happened before, swearing to hunt down the criminals and to make them pay.

It never happens. The reason is not the terrorists' brilliance or bravery. It is the hypocrisy and cowardice of the West in refusing to acknowledge the truth—that we have known all along who the major criminals are and exactly where they live.

For once, let us look at reality squarely: The important criminals are not the men and women who sneak a bomb on a plane, or chain a hostage to a wall, but the top officials of the states that provide the money, the training, the camps where terrorists are nurtured, the guarded safe houses where they live and the platforms and meeting halls where they are allowed to strut in triumph.

Terrorism makes anybody anywhere a potential victim every time he buys a plane or ship ticket or enters her embassy abroad. It would be totally impossible without the money, weapons and support that these countries and their leaders provide.

At one time or another, at least 20 states have fostered or promoted terrorism: Middle Eastern countries that gave terrorists money, Soviet-bloc

states that provided training, Western countries that allowed them to escape on legal technicalities.

But at the moment, Western officials know these men are at the heart of international terror:

• Hafiz Assad, president of Syria, who has made his country a headquarters and jumping-off place for a variety of Palestinian terrorists.

American and other hostages are kept in apartment-prisons in Lebanon on streets patrolled by Syrian soldiers. But every time the Syrian president arranges for one hostage to be released the world swoons with gratitude.

• Ayatollah Ruhollah Khomeini of Iran and the men trying to squiggle to the top of the mound of hatred that is the government of Iran. It is in his name that hostages are taken and held.

• Muammar Gaddafi of Libya, paymaster of terrorism in all parts of the world from the Middle East to the Philippines, even at times in Belfast.

Most terrorist atrocities are carried out in the name of a state of Palestine. But those Palestinians who yearn for a decent settlement with Israel are not blowing up planes.

And the men psychotic enough to blow them up, long before the Pan Am disaster, will not call off their hordes unless they achieve the goal to which they are sworn, the death of Israel.

Nor is Palestinian statehood the goal of the criminals who pay the criminals, Hafiz Assad, for instance, still dreams of Greater Syria, which would swallow up not only Jordan, Lebanon and

Israel, but the territory on which a separate Arab Palestine is supposed to be created.

The West knows all this. But in 1986 President François Mitterrand forbade U.S. bombers to cross French territory en route to Libya.

Prime Minister Margaret Thatcher, brave in the Falklands, exudes nervousness at the very idea of American action against terrorist nations.

Bonn rushes into automatic denial when Washington says German companies are involved in building a Libyan chemical weapons plant.

And America itself? So far, mostly whimpering about how it cannot go it alone without its allies.

Why all this evasion of the plain truth about where terrorism has its roots? Why the refusal to take economic and political action that would hit the terrorist states and their leaders hard enough to show them terrorism does not pay? Such as:

• A total economic boycott of states financing or giving refuge to terrorists.

• A ban on all weapons sales to these states.

• A total closing of Western airports to all traffic to and from their cities.

• And a warning that military action would follow if economic steps were not enough.

The reason for Western refusal to act is money—money to be made from selling weapons, equipment and factories to the terrorist states.

Maybe one day we will change our values and decide that lives of the innocent are more important. If not, let us at least have enough self-respect not to run around whining that we do not know the names and addresses of the terrorists.

The New York Times.

Economy in Decline: An Israeli Crisis

By Robert Loewenberg

JERUSALEM — The Israeli cabinet's sudden decision last week to devalue the shekel, to cut government subsidies and to reduce the bloated state budget by as much as \$550 million indicates that at least some politicians finally realize the seriousness of the nation's economic problems.

The crisis Israel faces is of its own making. It is more serious than the Palestine Liberation Organization "peace offensive," the internal uprising or the threat of Arab missiles.

While Israel is seen as a beacon of Western values in the Middle East, its economy is not. It remains a socialist relic of Eastern Europe that survives only because the United States and the world Jewish community prop it up with generous aid. Even this aid, however, can no longer do the job.

Israel today is in decline. Israelis are hounded by bureaucrats and the tax collector. A nationwide poll last summer showed that most Israelis no longer feel safe in their own country. And more than physical safety is involved. Israeli citizens seek green cards for emigration to the United States. Last year, an estimated 21,000 Israelis moved elsewhere. And of 20,000 Soviet Jews allowed to emigrate in 1988, only 8 percent chose to settle in Israel.

In short, the Zionist dream of a socialist utopia is dead.

The question now is whether the dominant institutions will remain in place long enough to kill off the socialist will to change its ways.

If only economics were at stake, the changes could be made almost immediately—and without debate. Who, today, prefers life under socialism?

The change from socialism to an entrepreneurial free-market economy is a political problem, however, not an economic one. How does Israel get the policy elites in government, even

trade union movement and nationalistic businesses to let go of their monopoly powers? That is the question.

Although socialist idealism is still popular with many Israeli intellectuals, the failure of socialism is now a recognized fact among most citizens. Everywhere you go in Israel you hear the same thing, especially from the young: "I can't make a living here."

What is wrong with the economy? • Government spending now accounts for about 70 percent of the total gross national product, more than twice the rate of combined federal, state and local spending in America. Talk about budget deficits: Israel's is about four times larger than the U.S. deficit as a percentage of GNP.

• The government owns too many purely commercial businesses, ranging from El Al airline to the country's largest department store chain.

• Taxes are far too high. Corporations currently pay an effective rate of 55 percent. Individuals earning as little as \$25,600 a year may pay 70 percent or more when the supplemental taxes are added to the already shifting 48 percent marginal income-tax rate. Even the Bank of Israel, the central financial institution, condemns these high tax rates as a disincentive to work and investment.

• Because of currency devaluations, inflation has been rampant. In 1985 the annual inflation rate exceeded 200 percent; after a stabilization program was launched that year, it has fallen to "just" 20 percent.

The economy also suffers from price controls, export subsidies, import duties and a national industrial policy that pours tax money into inefficient businesses at the expense of potentially productive ones.

The new coalition government has now vowed to reduce some subsidies and make cuts in the bloated public sector, but that is only a start; much more needs to be done.

Israel suffers from nothing that a strong dose of free-market capitalism could not cure. The question is whether its political leaders have the courage to wean Israel from socialism, and if so, whether they will do it in time.

The writer is president of the Institute for Advanced Strategic and Political Studies in Jerusalem. He contributed this to the Los Angeles Times.

100, 75 AND 50 YEARS AGO

1889: Bismarck and Son

PARIS—The Herald says in an editorial: "The firm of Bismarck and Son (Limited), which now flourishes in Berlin, has already a swinging business, with a chain of paying investments from Hamburg to Patagonia. To the diplomatic line the great house gives special attention. No Minister to a European Court will be acceptable hereafter who has not the true Bismarck and Son brand distinctly marked. Its present task of arranging the English diplomatic service assumes the world with its audacity. There have been other firms in the same business which made as much noise when they flourished. Quite as much—with glory transcendent—terror unspeakable—power unchallenged—and yet . . . !"

1914: South Africa Strike

LONDON—The situation in South Africa was yesterday [Jan. 10] regarded as more serious. The railway strike has spread to such an extent that a

The Secrets North Won't Be Telling

By Tom Wicker

NEW YORK—Oliver North will probably not be tried on the most serious offenses alleged against him, and that is too bad. Substantial charges remain, however, and it is reassuring that he benefits from constitutional and legal "technicalities" of the kind he tried to subordinate to "patriotism" during his congressional testimony in 1987.

May it ever be so with the rights of Americans—not least the right to a fair trial. Those who spun such lies when they appear to allow the guilty to go free, or the nonconforming to march to their own drummer, or national security to be threatened, are themselves protected by the same rights. Like patriotic self-sacrificing Oliver North, they seldom fail to assert those rights when they themselves are in jeopardy.

No doubt many will believe that the Reagan administration has cleverly spared itself further examination, and one president or another the political quandary of whether to pardon Mr. North. That is a logical but probably unwarranted inference from the refusal of the administration to release classified documents needed as evidence—apparently both for and against Mr. North—in a trial on the Iran-contra charges.

Such a conspiracy would have to be more adroitly managed than this administration has shown itself capable of. It would require, too, a degree of cynicism and self-protection that no one can reasonably charge to men like George Shultz and Frank Carlucci, who joined in the unanimous decision not to release the documents. The special prosecutor, Lawrence Walsh, has refused to make such an accusation and apparently agrees that some of the documents involved should not be made public.

A better question, to which we probably never will have an answer, is whether these unknown documents really are that vital to national security. Officials are prone to overstate their importance and their actual secrecy. In this case, they concede that some of the Iran-contra "secrets" already have become public; but they chose not to confirm or condone the original disclosures or further endanger "sources and methods" of intelligence collection, even if their decision made it impossible to try Mr. North.

All this may remind old-timers of 1971, when the Nixon administration tried to enjoin The New York Times from publishing the Pentagon Papers. Dire consequences to national security were alleged to be forthcoming, but no one has yet demonstrated any such consequences at all.

Might a trial on the charges that Mr. Walsh has dropped have disclosed more about the participation of Vice President Bush and President Reagan in the Iran-contra scandal? Possibly, though Attorney General Richard Thornburgh pointed out in a television interview that the strict rules of evidence in a criminal trial probably would have worked against such disclosures.

Trying Oliver North, in any event, is not the only way to pursue the larger truth of the Iran-contra matter. Much testimony is on the record, but not yet fully analyzed. In an article in The Washington Post on Sunday, for example, Walter Fingers pointed out an apparent contradiction in statements by Donald Regan, the former White House chief of staff.

In his book "For the Record," Mr. Regan recalled that at the Geneva summit conference in 1985, he and President Reagan were briefed by Robert McFarlane on the November 1985 missile shipment to Iran, before it took place. Fifteen months after that shipment, but before his book was published, Mr. Regan told the Tower commission that "there was nothing said to the president in advance" about that 1985 arms transfer.

That and other available evidence, Mr. Fingers wrote, suggest "a broader pattern of deception by the White House, CIA and other administration officials" than previously acknowledged. Because of such evidence, Mr. Fingers still is considering whether to bring charges against other officials.

In response to my article (H/T, Dec. 28) about the clearance of rain forests in Brazil, Charles Ebeling of McDonald's Corp. insists "unquestionably, that McDonald's does not now purchase, nor have we ever purchased, any beef raised on such rain forest land. . . . In Central and South America, our suppliers document that McDonald's beef comes from established ranches and cattle ranges, not rain forest land. I am happy to hear it."

The New York Times.

The Secret North War Be Telling

OPINION

Don't the Germans Have The Right to Be Wrong?

By Richard Cohen

WASHINGTON — My colleague in the opinion game, William Safire, recently wrote a column that has become something of an international controversy. Regarding charges that a West German firm has helped Libya build an alleged poison gas factory, Mr. Safire said that the Germans, of all people, should stay out of the poison gas business. "Can it be that the 'good Germans' are at it again?" he asked.

The answer from Germany is no. Some "bad" Germans may be at it again. Some of the ones who reportedly have helped Libya build its poison gas installation. They include, also, other firms that may have helped the Libyans and, earlier, the Iraqis, get into the poison gas business, but they are hardly representative of a nation — neither its character nor its intentions. The total of baddies is hardly sufficient to indict an entire nation.

The Safire column ("Germany Can't Ignore Auschwitz in the Sand," *Opinion*, Jan. 3) has produced a furor in West Germany, and well it should. Editorials have waxed indignant, wondering when the monkey of the Holocaust will finally be removed from Germany's back. Politicians, too, have taken umbrage.

German-American relations, already frayed by air crashes involving U.S. warplanes and repeated low-level training flights, have reached a new low. The German press reported that Chancellor Helmut Kohl had sent President



one of national character. Germans, from Mr. Kohl on down, feel unfairly singled out. As with Bittburg, they dig in their heels and, emotionally, deny what the U.S. State Department says is obvious: incontrovertible evidence that a German company has aided Libyan efforts to make poison gas.

Whereas another country might by now have dealt with such a company, German backs have stiffened. Leaks to the U.S. news media (particularly *The New York Times*) have made investigation of the suspect chemical firm all the more difficult, the Germans say. They can find evidence of a U.S.-inspired public relations campaign. What they

For News, We Still Want A Thump at the Doorstep

By Eleanor Randolph

WASHINGTON — I remember being warned about 20 years ago not to expect a lifetime career in the newspaper business. Within months, it seemed, people were going to give up the bulky morning paper for a blinking home video terminal.

In every advanced home there was going to be an all-purpose thingy that would allow you to sit at the kitchen table to shop, bank, work, buy a stock,

think there will be much beyond that. Maybe I am a technological throwback, but I believe there also may be deeper, more cultural reasons why they will want the next day's newspaper. The printed word has been the most durable form of mass communication since Johann Gutenberg's invention four centuries ago. It's a hard habit to kick.

If you want to figure out how you feel about the use of pulverized trees pressed into very thin white layers, imagine a promise by your high school principal that your diploma will be provided on a computer disk, which is (so sorry) not suitable for framing. Think about the real-estate agent who suggests that you can have an electronic copy of the deed to your house. I may be a Cro-Magnon, but I want to have something to wave in front of the lawyers and the bankers and the IRS when something goes wrong.

Or consider the fax craze. Technologically, the process is not really so advanced. It is simply a high-speed version of the old teleprinter. But suddenly the fax is everywhere. Documents are not sent by messenger, which would take an hour — or by mail, which can take entire days to creep across town — but by fax, which takes a few minutes.

The computer whiz kids know that once you've got phones involved, it is just a hop, skip and modem to transmit a memo directly from one computer screen to another. But fax offers something less transitory: a document you can hold in your hand, put in a file and refer to in the future.

Our experience with the news media is that rarely does a new medium push out the old one," said Walter Baer, director of advanced technology for Times-Mirror Corp. "They just redefine their applications of it."

Maybe someday, a scholar will dig this column out of the dusty caves saved for archaic objects like "documents" and use it as an example of how narrow-minded people were in 1989. So, let me suggest that we may be in a time of transition — waiting for the era when all these computer junkies who learn the alphabet on daddy's PC grow up to take charge of our information society.

But until then, I take comfort in the fact that somebody also predicted Tang ("the drink of astronauts") would become the morning refreshment of choice and, instead, the grocery stores are stocking up on fresh orange juice. With extra pulp, oo less.

Washington Post Writers Group.

LETTERS TO THE EDITOR

The UN Peace Plan Can Untie the Cambodian Knot

The New York Times editorial "Untie Against Pol Pot" (*Opinion*, Jan. 4) is an eye-opener, with which I entirely agree. The problem can be easily solved if the Cambodian factions could accept the United Nations peace proposal, recently given to all the concerned parties in the conflict. The UN proposal is comprehensive, well-planned, and has no such loopholes as those that existed in the International Conference of Kampuchea in July 1981, or even those in the 1984 Geneva Agreement on Indochina.

Vietnam appears to be willing to withdraw its troops from Cambodia before March 1990. On receipt of the precise schedule of its troop withdrawal by the UN secretary-general, Cambodia's UN seat should be declared vacant. Keeping the seat vacant would be an important step to removing the cloak of legitimacy that has surrounded the Khmer Rouge. Next, all the Cambodian factions should get together to settle the administrative arrangements for establishing a provisional, quadripartite national government under the leadership of Prince Norodom Sihanouk, on the basis of no return to the

Forget Mideast 'Balance'

Teddy Kollek of Jerusalem, a well-meaning mayor, calls for more fairness in the "balance" when remembering the innocent victims on both sides in the Israeli-Palestinian conflict (*Letters*, Dec. 29). So be thrown into the balance the 22 Israeli children killed in Maslaha.

There is a tragic failure in trying to "balance" the deaths of young Palestinians against those of young Jews. The days of reckoning may come, but not on Earth. Here and now, common sense suggests that, in the Middle East as everywhere, the oppressed suffer more than the oppressors, especially when the latter possess one of the most formidable armies in the world. The only remedy is to end the oppression.

The mayor of Jerusalem, a city that is "unified" against the will of half its population, deplores double standards. How right he is. Therefore, I assume that he will be eager to answer this simple question: What differentiates Arab terrorism from the Jewish terror that gave Israel some of its finest statesmen?

On the Uncaring Many

Regarding "If Nonvoters Had Voted, the Winner Would Be..." (*Nov. 22*):

In Sri Lanka's recent elections, 55 percent of the eligible voters braved death threats from extremists of the left and right to get to the polls. Why, in the general election held in a free, democratic and peaceful United States, was the turnout only a shameful 48 percent?

Romania: Bad to Worse

In response to the opinion column "Ceausescu, Cultural Vandal" by Janet Heller (*Dec. 13*):

The following is a rough translation from Romanian of part of a letter from a friend in a small town in Transylvania: "It goes from bad to worse. The disaster which visited us with a force stronger than the destruction of our villages has been a three-year-old agrarian revolution. It has led to the disappearance of agricultural produce from the market. For years, wheat and corn flour have been a rarity, distributed sometimes on

the eve of major holidays. Meat and eggs are now in the realm of fairy tales. This year (1988) it has been the turn of potatoes and white beans to disappear.

"The circle of absolute tyranny and despair closes in on us while the belts are being tightened. There is nothing left but the abundant specious official declarations about the general prosperity. They come out by the bucketful."

About Aging Airplanes

Regarding the report "Boeing 727 Emergency Landing: Raises Concern About Older Jets" (*Dec. 28*):

It might seem premature to draw conclusions from the small number of air accidents caused by metal fatigue in aging airplanes. But the danger exists. So the regulatory authorities should immediately develop a program for the gradual replacement of older planes. (Adding inspections and inspectors is no solution; the problem generally has no visible manifestations.)

GENERAL NEWS

3-Star French Chef Refuses to Swallow Bureaucratic 'Sauce Anglaise' in London

By Steve Lohr

NEW YORK TIMES SERVICE
LONDON — Relations between the British and the French have always been a bit prickly. They are like two neighbors, separated by a big fence, who do not entirely trust each other.

And for the past week a celebrated footnote in the long history of British-French conflict has been unfolding in a London court in a legal battle that pits French gastronomy against British bureaucracy.

In the dock sits Albert Roux, Britain's most famous French chef, who came to Britain 21 years ago with his brother, Michel, and, by all accounts, finally introduced the British to truly good food.

Le Gavroche, where Albert Roux is head chef, is one of two restaurants in Britain to earn the Michelin guide's coveted three stars. The other is the Waterside Inn in Berkshire, where Michel presides.

Today, the Roux brothers are not merely chefs, but national celebrities. They have hosted a popular television series on cooking and their books, such as the current entry, "At Home with the Roux Brothers," are best-sellers.

Albert Roux is being prosecuted for allegedly violating hygiene rules by having food in the Gavroche kitchen at risk from contamination by flies and dirt.

The charges were brought by the health office of the Borough of Westminster, London's most prestigious district. It insists it brought

the case in the spirit of hygienic egalitarianism, applying the same standards to fancy restaurants and hamburger joints.

Food hygiene cases typically pass with little notice, when they are noticed at all. But this one has the Wells Street Magistrate's Court packed. The London newspapers have dubbed it "The Kitchen Sink Drama," and editors admit to a glut of reporters volunteering to brave the alleged dangers of Gavroche cuisine.

The Gavroche case has the close-knit, tribal realms of the British upper classes and the London restaurant trade buzzing. Even the names and details of the case seem made to order. The presiding judge is Terence English.

The prosecuting attorney, representing Westminster, is Anthony Scrivener, a surname which to some conjures up an image of the small-mindedness that the defense claims characterizes the case.

Timothy Cassel, counsel for Mr. Roux, is fond of calling the case "this shabby little prosecution."

To much amusement, the defense produced an independent survey that rated the cleanliness of the Gavroche kitchen second-best in London, trailing only that of Kentucky Fried Chicken.

The prosecution case has not been helped by the inconvenient fact that the Westminster health officer, Alexander Parker-Brown, asked Mr. Roux to autograph one of his books for his wife while he was preparing the prosecution case,

unbeknownst to Mr. Roux. Mr. English termed the autograph request "unfortunate, to say the least."

Restaurant hygiene cases are pleaded guilty, assuring him the publicity would be minimal.

In reply, Mr. Roux recalled telling the health officer, "if you think

'I know the Gavroche kitchen. And if the health inspectors can convict Gavroche, they can shut down every kitchen in Britain.'

Drew Smith, editor of *The Good Food Guide*

generally settled out of court, after the restaurateur pleads guilty and pays a fine. Mr. Roux said that the health inspector advised him to

Albert Roux is going to do that, you have another thought coming."

The Roux camp sought last week to have the case dismissed, arguing

that Mr. Parker-Brown's methods amounted to entrapment. In addition, the defense said that the surprise inspection on July 30, 1987, amounted to ancient history since the open backyard area adjacent to the kitchen, the source of several of the health violations, had since been covered over during a renovation.

Incidentally, there have been no complaints of food poisoning from Gavroche patrons. But the defense motion to have the case dismissed was denied, so the court hearing will proceed.

Le Gavroche is not the only big-

name London restaurant to be singled out by health inspectors. Other famous kitchens, including the Café Royal and the Dorchester Hotel, have recently been prosecuted for hygiene violations.

In this town, restaurant experts see a political motive. During the 1980s, under the watchful eye of Prime Minister Margaret Thatcher, British government offices at every level have been under increasing pressure to justify their budgets.

London's chefs and restaurant critics have generally rushed to the defense of Le Gavroche. One chef at an expensive London restaurant

observed that health inspectors can be like drill sergeants in the military: If they want to get you, they can.

Richard Shepherd of Langan's Brasserie said, "You can be breaking the law by having a chip on a wall tile."

Restaurant experts agree that health inspectors perform an important public service, but most doubt that going after Le Gavroche is in that category.

"I know the Gavroche kitchen," said Drew Smith, editor of *The Good Food Guide*, which rates restaurants and is published by the

British Consumers' Association. "And if the health inspectors can convict Gavroche, they can shut down every kitchen in Britain. The case is very unfortunate."

At 43 Upper Brook Street, where a lunch goes for \$35 a person and dinner for about \$80, even before the wine arrives, the tables are full and the staff claims to be treating the case with a Gallic shrug.

"We think this is a lot of nonsense, and our customers are taking this lightly," said Silvio Giraldo, the manager. "We're doing better January this year than we have in the past."

Homeless Man Arrested in N.Y. Doctor's Killing

United Press International

NEW YORK — A homeless man who told police he regularly slept at Bellevue Hospital and masqueraded as an employee has been arrested on charges he raped and killed a pregnant pathologist there.

Sтивен Smith, 23, was found by the police at a homeless shelter Monday after three men came forward with credit and identification cards belonging to the victim, the police commissioner, Benjamin Ward, said.

The city had offered a \$30,000 reward for information about the slaying.

Mr. Smith, who previously had been arrested on charges of petty theft at East Side hospital, was arraigned Tuesday on charges of second-degree murder, first-degree

rape and first-degree robbery for the death of Dr. Kathryn Hinnant, 33.

Mr. Smith told the police that he sometimes lived at Bellevue and had a bed on the 22d floor, and would wander through the hospital without problems while wearing a stethoscope and hospital garb, Mr. Ward said.

The suspect told investigators that he and another man named John had gone to the fourth floor of Bellevue Hospital and attacked Dr. Hinnant, Mr. Ward said. However, the commissioner added, Mr. Smith put the onus of the attack on John, including the rape.

"We have not even confirmed that this person lived other than in the mind of Steven Smith," Mr. Ward said.



"Put the whole world at your feet..."

Reagan Budget: Hard Start or Head Start for Bush?

By Peter T. Kilborn
New York Times Service
WASHINGTON — President Ronald Reagan has left his successor with a budget that could make it hard to start a new presidency, but one that also does George Bush a few favors.

Mr. Reagan is asking for another increase in the U.S. military budget even though Mr. Bush has made it

NEWS ANALYSIS

clear that he wants to hold military spending steady. So it will be left to the new president to fend off critics who will say his administration is soft on defense.

At the same time, Mr. Reagan has taken the controversial step of proposing a giant cut in the agriculture budget — a move that could spare Mr. Bush some recriminations from farmers.

It could also be argued that Mr. Reagan is inviting trouble for his successor by using an optimistic economic forecast that minimizes the size of the budget deficit in the first year of the new administration. But in this instance, Mr. Bush's advisers have approved the strategy, which may make it easier to argue that he does not have to raise taxes or touch Social Security to narrow the deficit. Social Security provides retirement benefits and disability payments.

Other presidents, too, have used optimistic forecasts, usually with the assent of Congress, and little harm has come of it.

"Nothing says forecasts, predictions and assumptions have to be

close to reality when you're writing the federal budget," said Stanley E. Collender, a former congressional budget official now at the accounting firm Price Waterhouse.

But the financial markets never used to worry much about with deficits. Now they do, and they could prove a land mine for the next president.

Mr. Reagan's budget for the fiscal year that starts in October shows spending of \$1.15 trillion, revenues of \$1.06 trillion, and a deficit of \$92.5 billion, comfortably below the \$100 billion goal for 1990 set by the Gramm-Rudman-Holings balanced budget law.

In many ways, it lets Reagan be Reagan: consistent with the president's long-standing goal of curbing the growth of government, the budget once again proposes sales of a few government assets, like the Naval Petroleum Reserve and two power-generating plants, and the termination of 82 programs, all of which have been proposed before and none of which have been approved by Congress.

It also keeps the president's commitment to a strong military, with another request for higher spending, seeks new revenues only by raising some fees for government services, not taxes in themselves, and leaves the Social Security system untouched.

Thus Mr. Reagan will force Mr. Bush to take any political heat for raising taxes, cutting back spending for both the military, which accounts for 26 percent of all

spending, and Social Security, which accounts for 21 percent. Mr. Bush has already indicated that he would at least hold the rise in military spending to the inflation rate, and this could provide him with around \$6 billion to pay for initiatives he has promised in housing, the environment, child care, and education.

In several other respects the budget contains proposals that Mr. Bush's top economic advisers — Treasury Secretary Nicholas F. Brady and Richard G. Darman, who will be budget director — endorse and may even have persuaded Mr. Reagan to include.

A striking example is in the Department of Agriculture, which the president has wanted to shrink for years but has treated gingerly because of the political clout of farmers. In this, his last budget, he does Mr. Bush a favor by proposing a huge, \$9.7 billion spending reduction, to \$42.4 billion.

He also has requested sharp reductions in the projected growth of spending for Medicare and Medicaid, taking most of the savings from doctors and hospitals. Medicaid is a federal-state program providing health care for poor people. Medicare, financed jointly by the federal government and the states, provides health insurance for elderly and disabled Americans.

Politically, these and some other items in the budget give the president-elect negotiating room. He can offer to restore some of those cuts in return for some of the things that he wants. Mr. Reagan may also, however, have done the Democrats a favor. Many of them, too, have bemoaned the cost of aiding farmers and the nearly uncontrolled rise of Medicare spending, and now they can blame Mr. Reagan for the limits.

"There's one hopeful note here," said Representative Charles E. Schumer, a Democrat and member of the House Budget Committee. "He has finally cut agriculture a large amount — after letting it expand too much."

Joseph R. Wright Jr., Mr. Reagan's budget director, explained: "We put this through a political screen to give George Bush the best base to negotiate from."

The new budget also contains a proposal that to some analysts looks like a test of Congress's willingness to try to slow the growth of Social Security, which everyone has put off limits for cuts since the first time that Congress attempted by the Reagan administration to limit the program's budget in 1981.

Mr. Reagan proposes eliminating the cost-of-living adjustment that the government pays federal retirees for one year and holding annual adjustments to one percent below the inflation rate.

But the proposal could also serve as the starting point for a discussion of changes in Social Security if Mr. Bush's team and congressional leaders settle on a closed-door conference to negotiate reductions in the deficit. Democrats might oppose the cut but suggest instead reducing the benefits paid to the wealthiest retirees.

The need to seek such politically troublesome compromises may not

arise if the deficit does not have to be reduced very much. Mr. Reagan's economists have said that, without any changes in the law, the budget deficit would be \$127 billion by the end of the year — requiring a cut of \$27 billion to reach the \$100 billion goal of the balanced budget law. Mr. Bush's advisers have agreed with those numbers. The Congressional Budget Office, however, predicts a deficit of \$141 billion.

The differences arise in part because the Reagan administration maintains that interest rates will decline substantially, reducing the interest the government has to pay on the national debt, and that the economy will grow robustly and generate strong revenues from tax collection. Most economists are more pessimistic on both counts.

By the time an administration acknowledges the actual level of the deficit, however, the budget will be enacted into law.

go through the process," said William C. Phillips of Budd, "but it may save you 600 hours downstream."

Short Takes

The Department of Energy estimates that it could cost as much as \$128 billion over the next 60 years to clean up radioactive pollution at U.S. military and civilian plants that manufacture nuclear weapons and other atomic material. The Washington Post said experts call the estimate much too low. John Glenn, the Ohio Democrat who as chairman of Senate Governmental Affairs Committee had ordered the report, said the ultimate cost could total \$200 billion.

Happensense was responsible for the estimated 10 million computer office mugs now sold every year. The mugs, made of plastic with foam insulation, have inner baffles to minimize sloshing, and holders that adhere to car dashboards. Roger K. Oakes, who makes Aladdin mugs, said that in 1981 his company was making foam-insulated mugs for hospitals. By chance, he used one at the office. "The coffee was much hotter than I was accustomed to," he recalled. "We had the idea: if you put a handle on it with a drink-through lid, it would be great for commuters."

Free telephone services that offer live or taped medical advice 24 hours a day are becoming increasingly common. The services are expensive to run but can provide a good promotional tool for the sponsors, usually government agencies, hospitals, corporations or voluntary organizations focusing on certain diseases.

The navy said Lieutenant Commander Deborah S. Bernes of Boston, executive officer of a destroyer tender based in San Diego, will shortly become the first woman to command a naval ship. It will not be a warship, since federal law bars women from serving aboard combat vessels. The coast guard has had women skippers for the last decade.

For featured roles Off Broadway in Shakespeare's "Coriolanus" and Pirandello's "Enrico IV," Paul Hecht has been making \$500 a week, minus taxes and agent's fees. He makes several times that much doing voice-overs for commercials. Thus, he told The New York Times, his commercials subsidize his stage roles. "In fact," he said, "these theater performances of mine are brought to you by Chemical Bank, Comtex, BASF and TWA to Florida."

Thad Eure, 89, retired last week after 52 years as North Carolina's secretary of state. The longest-serving state official in the country, he was first elected in 1936, running on the campaign slogan, "Give a young man a chance."

Arthur Higbee

U.S. Budget Assailed by Democrats

The Associated Press
WASHINGTON — The Democratic chairmen of the budget-writing committees of Congress said Tuesday that President Ronald Reagan's \$1.15 trillion spending plan is a dead letter and that President-elect George Bush must submit a substitute reflecting his more moderate policies.

Senator Jim Sasser of Tennessee, who is chairman of the Senate Budget Committee, said in a television interview Tuesday that the "Reagan budget is a continuation of what we've seen for the past eight years — increased spending in defense, cuts in domestic spending and a lot of red ink. And George Bush needs to reverse that trend."

Interviewed with Mr. Sasser, the chairman of the House Budget Committee, Leon Panetta of California, added: "These kind of budgets have been overwhelmingly rejected by Republicans and Democrats on Capitol Hill."

If Mr. Bush, he added, "wants a budget that not only goes someplace on Capitol Hill but also reflects some new priorities for this country, then he's got to change the budget."

Mr. Sasser said Mr. Bush must cut defense spending to restore funds for domestic programs that were slashed under Mr. Reagan. The president's fiscal 1990 budget, submitted 11 days before he resigned, would produce a deficit of \$92.5 billion, within the \$100 billion target mandated by the Gramm-Rudman deficit-reduction law.

If achieved, that figure would be a sharp decrease from the worst of the Reagan era deficits.

"This is obviously Ronald Reagan's book," said Senator Pete Domenici of New Mexico, the ranking Republican on the Senate Budget Committee. "George Bush and the Congress will write the final chapter."

U.S. Attorney Giuliani Resigns Position in N.Y.

The Associated Press
WASHINGTON — U.S. Attorney Rudolph W. Giuliani, 44, of New York, who spearheaded investigations of organized crime, corruption and insider trading, has resigned, the Justice Department said Tuesday.

There has been speculation that he plans to run for mayor of New York, but the department did not disclose any reason for his resignation. Benito Romano, 39, who has been an assistant U.S. attorney, was appointed in the interim.



A COWBOY'S SALUTE — President Reagan gave a farewell salute with a Stetson hat as he left the White House after a speech before the Trade Association in Washington. His hand was bandaged after minor surgery.

AMERICAN TOPICS

Consumers Get a Say In the Design Process

American manufacturers are borrowing another technique from the Japanese: quality function deployment, or QFD. The New York Times reports. Salient features: consumers are consulted before design begins; like a car door that closes easily and also completely seals out the rain, and the design is tested exhaustively before it goes into production.

"The acceptance of QFD by companies like Ford Motor, Budd, ITT and others," The Times says, "is a recognition that many of the problems that have plagued American manufactured goods are embedded early in the design process, not on the factory floor. Rather than trying to increase quality by adding legions of inspectors at the end of assembly lines, these companies are seeking to prevent defects with more thoughtful designs and production processes."

QFD can mean hundreds of hours of tedious meetings. But the system also can cut product development time and costs dramatically, with fewer changes close to production. "It may take 60 hours of meetings up front to

vide a good promotional tool for the sponsors, usually government agencies, hospitals, corporations or voluntary organizations focusing on certain diseases.

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U.S. Attorney Giuliani Resigns Position in N.Y.

The Associated Press
WASHINGTON — U.S. Attorney Rudolph W. Giuliani, 44, of New York, who spearheaded investigations of organized crime, corruption and insider trading, has resigned, the Justice Department said Tuesday.

There has been speculation that he plans to run for mayor of New York, but the department did not disclose any reason for his resignation. Benito Romano, 39, who has been an assistant U.S. attorney, was appointed in the interim.

Japan's Praise of Hirohito Stirs Anger Abroad

By Margaret Shapiro
Washington Post Service

TOKYO — Japanese portrayals of Emperor Hirohito as a man of peace who opposed Japan's actions in World War II have stirred anger abroad that many Japanese had hoped would vanish with his death.

While indications that President-elect George Bush plans to attend Hirohito's state funeral on Feb. 24 aroused little opposition in the United States, leaders of other wartime allies have run into political trouble for suggesting that they might attend.

Defense Minister Bob Tizzard of New Zealand said Hirohito "should have been shot or publicly chopped up at the end of the war." Mr. Tizzard said he was reacting to "uncut" eulogies of Hirohito, who died Saturday at age 87 after 62 years as emperor.

South Koreans have lashed out at the Japanese prime minister, Noboru Takeshita, for saying, shortly after Hirohito's death, that World War II "broke out in spite of his wishes."

The angry responses suggest how difficult it may be for Japan to put its wartime legacy behind it. Most Japanese newspapers and government officials have praised Hirohito in the

most respectful terms, depicting him as a kindly grandfather.

Many victims of Japanese colonialism and war instead remember a younger, imperialistic Hirohito clad in a generalissimo's uniform astride a white horse and symbolically leading his troops into battle.

Historians say that Hirohito died without having fully clarified his prewar role. Although there is no dispute that he was used by Japan's militarists, defenders say he was a symbolic monarch powerless to resist such manipulation, while others believe he was a willing co-conspirator who could have used his moral authority to change the course of history.

"No matter how much Japan denies his responsibility, it won't be able to deny the fact that wars were declared in his name," a leading South Korea newspaper, Dong-A Ilbo, wrote in an editorial Monday. "It is a solemn fact that the Japanese colonial rule over many Asian countries was conducted in the name of the emperor."

Prime Minister David Lange of New Zealand disavowed the comments of his defense minister but refrained from offering condolences to Japan or its imperial family.

In Australia, which lost thousands of servicemen in Japanese prisoner of war camps, one veterans' group compared Hirohito to Hitler. Prime Minister Bob Hawke, after first indicating he might attend the funeral, said he would not.

The British royal family drew a storm of protest when it was revealed that Queen Elizabeth II might send her heir, Prince Charles, to the funeral. British veterans groups and some members of Parliament demanded a royal boycott of the funeral. The government announced Monday that the queen's husband, Prince Philip, would attend the funeral.

Reaction in the United States has been very different. Although wartime propaganda depicted Hirohito as a villainous figure, statements by government officials and in the media after his death have been quite warm.

President Reagan lauded Hirohito for playing a "truly heroic role" in bringing about Japan's surrender.

Funeral Budget Approved
The cabinet decided Tuesday that Japan will spend 9.292 billion yen (\$73.6 million) on Hirohito's funeral, United Press International reported from Tokyo.



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First Cuban Troops Leave Angola; Full Withdrawal Is Planned by 1991

By James Brooke
New York Times Service

LUANDA, Angola — Thirteen years after a Cuban expeditionary force came to Angola, 450 Cuban soldiers left here Tuesday, marking the start of a Cuban military withdrawal scheduled to be complete by mid-1991.

As a brass band played a victory march, a Cuban honor guard carried in a waiting Ilushin-62 jet a faded Cuban flag that arrived with the first Cuban contingent to in Angola in October, 1975.

"Mission accomplished," said Colonel Venancio Avila Guerrero, the Cuban commander of the departing contingent, as he stood on the airport tarmac.

About 20 truckloads of cheering and whistling Cuban soldiers drove later Tuesday to the port of Luanda to board a Soviet troop transport ship. By Saturday, 3,000 of the 50,000 Cuban soldiers in Angola are to have left by sea or by air.

Cuba's intervention in Angola in 1975 allowed a Marxist guerrilla

group to take power on Nov. 11 of that year, ending almost 500 years of Portuguese colonial rule.

The Cubans subsequently helped Angola's young government survive a three-way civil war with rival guerrilla armies, one backed by the United States in Zaire, the other backed by South Africa. More recently, Cuba's tenacious defense of southern Angola against South African attacks contributed to the signing last month in New York of a nonaggression pact by the three countries.

Angolan and Cuban officials said they were withdrawing the first 3,000 troops this week, well before the April 1 deadline, in order to encourage South Africa to implement its part of the bargain — independence for South-West Africa, also known as Namibia, a neighboring territory that is controlled by South Africa.

During Tuesday's ceremonies marking Cuba's "victorious withdrawal," the Angolan government

lavished praise on Cuba, its staunchest military ally.

Waving paper flags of Cuba and Angola and chanting "Angola and Cuba, united in struggle and victory," thousands of war veterans, young pioneers, party youth, trade unionists and popular vigilante brigade members marched in formation down Ho Chi Minh Avenue and through May 1 Square, where the departing Cuban soldiers were massed.

"Those who fell here, irrigating Angolan soil with their generous blood," said President José Eduardo dos Santos, "will have their names engraved forever in the hearts and in the minds of the people of Angola."

Under the withdrawal accords, the Cubans are to move in stages from southern to central Angola, and eventually back to Cuba.

A multinational United Nations team is to verify the departures from Luanda airport and port, and from the ports of Namibe, Lunda and Cabinda.

Hezbollah Guerrillas Fight Off Amal Assault

The Associated Press

SIDON, Lebanon — Iranian-backed Shiite Muslim guerrillas trapped in a mountain enclave in southern Lebanon on Tuesday fought off pro-Syrian rivals who used tanks in the assault and outnumbered them 2 to 1, the police reported.

A police official, speaking on condition of anonymity, said that the Syrian-backed Amal militia stormed positions held by the fundamentalist Hezbollah, or Party of God, in the village of Jnaa. The village, 16 kilometers (10 miles) southeast of the port city of Sidon, is a key part of the Hezbollah-held sector.

The 1,000 Amal militiamen, using Soviet-designed T-54 battle tanks, began their assault after two days of fighting for control of the predominantly Shiite region near the so-called security zone that Israel has designated along the southern border of Lebanon.

The police said that about 500 Hezbollah fighters, cornered in a mountain enclave after being driven out of several strategic villages Monday, counterattacked and pushed Amal out of the hilltop village. They said that Amal was beginning another attack.

The police had no word of casualties Tuesday. But at nightfall Monday, they said that at least 105 people had been killed and 300 wounded since early Sunday.

Nearly 500 people have been killed and 1,500 wounded in fighting between the Shiite factions since Dec. 31, when the latest



Shiites marching in Kfar Hama, Lebanon, in a funeral procession Tuesday for their fallen sons.

round broke out in a nine-month-old battle for dominance of Lebanon's one million Shiites.

Hezbollah seeks to create an Iranian-style Islamic republic in Lebanon, while Amal advocates a government in which Muslims have an equal share of power with Lebanon's traditionally dominant Christians. It drove Hezbollah out of most of southern Lebanon in a four-day battle last April.

The Hezbollah fighters were sandwiched in a narrow strip between the advancing Amal force and the western flank of the Israeli security zone, cut off from reinforcements and supplies, the police reported.

The fundamentalists were dug in around Jnaa, the nearby hamlets of Ein Bouswar and Louwiazah and the wooded slopes of Jabal Sufi.

Meanwhile, Israeli troops operating north of the 10- to 16-kilometer-deep security zone in Lebanon killed eight guerrillas during a weekend clash, the army announced in Jerusalem.

The clash occurred Saturday night west of the village of Aunama, 18 kilometers north of the Israeli border. The army said it gave no explanation for the delay in the announcement.

كندا من العراق

Bonn Approves Stricter Curbs On Exports of Sensitive Goods

By Robert J. McCarthy
Washington Post Service

BONN — West Germany's government, embarrassed by foreign and domestic outcry over several alleged cases of illegal chemical and nuclear arms exports, approved a package of controls Tuesday that including widened monitoring of shipments and a doubling of fines for violators.

In steps announced by Economics Minister Helmut Haussmann after a cabinet meeting, ministers also approved closer cooperation among intelligence and customs authorities, and special registration of companies that produce sensitive parts for nuclear plants.

Chancellor Helmut Kohl told the Bonn newspaper Die Welt that the package represented "measures for the future" and was not a confession of guilt, the daily said in a report released before the interview was to be published on Wednesday.

The measures came in response to a dispute, which has strained U.S.-West German relations, over Washington's allegations that five West German companies helped design and build a chemical-weapon factory in Rabta, Libya.

Mr. Kohl's government has expressed "deep concern" over the U.S. charges but insisted that the United States had failed to produce

sufficient evidence to back its claims.

"I have said, not just here but through several American channels, that I find it intolerable for anyone to accuse the Germans without giving us the chance of seeing the proof," Mr. Kohl told Die Welt. "That is not the way to behave among friends."

Chancellor spokesmen did not dispute the remarks attributed to Mr. Kohl, which were widely disseminated in Bonn on Tuesday.

In separate developments in the affair, Pilot Plant GmbH, a company implicated by the United States in the Libyan project, confirmed Tuesday that it is closely linked to Karl Kolb & Co. KG, which is under investigation on suspicion of having helped build a chemical-arms factory in Iraq.

Pilot Plant has had no dealings with Libya, and Karl Kolb has been cleared in two court cases of having supplied Iraq with chemical arms equipment, Helmut Maier, who is both managing director of Karl Kolb and former managing director of Pilot Plant, said in a telephone interview.

The two companies share the same headquarters building in Dreieich near Frankfurt, and several investors own shareholdings in both companies, Mr. Maier said.

■ **Bonn Orders Halt to Deals**
The Bonn government said Tues-

day that it had ordered several companies to stop current deals with Libya, Reuters reported from Bonn.

A senior government official said an investigation into Imhausen-Chemie, a chemical concern named by the United States as involved in setting up the Libyan plant, had uncovered plans by other companies for sales to Libya.

Lorenz Schomemus, head of the Department for Export Policy at the Economics Ministry, said that the deliveries had been stopped while authorities verified whether export laws had been violated. Imhausen-Chemie was cleared in the inquiry.

Economics Minister Haussmann said at a news conference after a cabinet meeting that Bonn would draw up a list of countries, goods and West German companies seen as "sensitive."

"Our measures aim to identify critical goods, critical countries of origin and critical West German manufacturers," he said.

Mr. Schomemus would not name the companies whose sales had been halted, nor specify where in Libya their goods had been destined.

But a government source made clear that the suspended sales had not been intended for the Rabta plant in Libya.

U.S. Blames Iraqi Use of Toxic Arms For Spread

By Joseph Fitchett
International Herald Tribune

PARIS — Iraq's success in fielding chemical-weapon forces, supplied by its own industry, has guided many other developing countries, probably including Libya, to the path of joining the club of chemical-arms nations, U.S. officials and experts said Tuesday.

Noting a "striking similarity" in the names of companies cited as working in this sector in both Iraq and Libya, a U.S. official said that chemical weapons in developing nations threatened to multiply "in geometrical progression" now that Iraq had used chemical arms without paying any international price.

The Iraq example had a "psychological impact" on Libya, according to Eliza D. Harris, a specialist at the Brookings Institution in Washington. She agreed with U.S. officials that Libya apparently benefited from the chemical-arms skills acquired by companies that worked first in Iraq.

"If we're having trouble with proliferation today, it's because countries saw in the mid-1980s that Iraq solved the industrial and military problems and then got away with it," she said.

Libya has been accused by the Reagan administration of building a complex at Rabta intended to make military toxins and produce weapons to deliver them. The parallels and possible links between Iraq and Libya undermined how complicated it has become to stop chemical-arms proliferation, which is among the objectives of a 150-nation conference in Paris on banning chemical war.

Delegates at the meeting appeared to be nearing agreement on a final statement to be issued Wednesday in which nations condemned chemical war and urged early agreement in Geneva talks on a treaty banning the possession of chemical arms.

An interim draft, described as "the basis for an agreement" by a U.S. delegate, eliminated all phrases coupling chemical disarmament and the elimination of weapons of mass destruction. Objecting to indirect reference to nuclear arms, Western governments said that the conference should stigmatize chemical war.

But some of the hardest bargaining has come over Western attempts to get a touchily worded condemnation of the spread of chemical weapons, a problem that the United States tried to highlight in its campaign against Libya. U.S. officials have singled out Libya because the Reagan administration has classified it as a "terrorist state."

Mr. Harris noted that "Syria also has been considered a terrorist state, but the Reagan administration has not publicly criticized its own programs in developing very advanced chemical weapons and delivery systems, spurred by Iraq's example."

Only the threat of congressional sanctions, preferably backed by similar commitments from other major industrial countries, will have any real impact in making countries hesitate to use chemical weapons, she said.

Even more difficult, she said, will be the ultimate goal of getting other unacknowledged chemical nations to get rid of their chemical arsenals in the context of a global treaty to be negotiated at Geneva now that Iraq has successfully defied the international ban.

Iraq's example, a U.S. intelligence official indicated Tuesday, convinced Libya to seek its own chemical-arms complex.

U.S. Jets Weren't Cleared to Fire Missiles

By George C. Wilson
Washington Post Service

WASHINGTON — Two U.S. Navy F-14s shot two Libyan MiG-23 fighters out of the sky last week moments after the U.S. commander on the scene radioed the navy jets that they were in a cautionary "warning yellow" situation rather than the "red" condition reserved for fire-at-will encounters, Pentagon officials have acknowledged.

The pilot of the lead F-14 was radioing the admiral who had issued the "yellow" alert when his radar intercept officer in the back seat sent the first two Sparrow missiles flying at the MiGs.

"Aw Jesus!" the pilot exclaimed at that point, according to the Pentagon's transcript of the duel on Wednesday.

Veteran navy pilots said the F-14 commander was probably in the process of requesting permission to shoot at the Libyans when his radar intercept officer started the battle.

The "yellow" condition indicates increasing tensions and possible hostilities. The pilot had only said "Alpha Bravo from 207" when the cry "Fox One!" issued from the back seat of the F-14 where the radar intercept officer sits with a firing button in reach. "Alpha Bravo" was the radio call sign of Rear Admiral David R. Morris, commander of the Mediterranean task force, "207" was the call sign of the command F-14.

"Fox One" was the term for announcing that a radar-directed Sparrow missile had been launched. The first two Sparrow missiles missed the oncoming MiG-23s.

Later in the confrontation, a third Sparrow fired at a distance of four miles (six kilometers) by the F-14 flying beside the command F-14

downed one of the MiGs. The commander of the two F-14s then downed the second MiG-23 with a close-in tail shot with a heat-seeking Sidewinder missile at a range of about 1.5 miles.

Defense Secretary Frank C. Carlucci and a Pentagon spokesman, Dan Howard, said shortly after the engagement that the F-14s did not seek, nor did they require, permission from Admiral Morris or any other superior aboard the aircraft carrier John F. Kennedy to fire at the MiG-23s in self-defense.

[Mr. Carlucci said Tuesday that, in his opinion, "those pilots acted prudently." United Press International reported from Washington. "There's no question that they were in jeopardy," he said, adding, "If anything, they fired too late."

A retired admiral questioned on Monday Mr. Carlucci's assertion that the navy jets had taken evasive maneuvers, and one veteran combat pilot suggested that the second MiG may have been headed for home when it was shot down.

Asked Monday why the lead F-14 crew did not seek permission before firing since the "warning yellow, weapons hold" condition was in force at the time, Mr. Howard said the order from Admiral Morris allowed the planes to fire in self-defense without additional permission and that the air battle developed so fast that there was not time to take such additional steps.

The yellow condition means "tensions increasing" and "hostilities possible," Mr. Howard said. He said "weapons hold" did not mean the missiles could not be fired without further authority.

Early in the encounter when the two F-14s and two MiG-23s were still about 40 miles apart but rushing toward each other at nearly



Frank C. Carlucci

1,000 mph, Admiral Morris, on the aircraft carrier Kennedy, radioed his order up to an E2C command plane, code-named "Closeout," that was orbiting in the sky near the F-14s and could relay the message to any U.S. planes nearby.

"Closeout," said Admiral Morris, using the E2C's call sign. "Warning yellow, Weapons hold. I repeat: Warning yellow, Weapons hold. Alpha Bravo out."

Another voice on the videotape taken from the F-14 repeats Admiral Morris's "warning yellow, weapons hold" order.

As the gap between the F-14s and MiG-23s closed, the lead F-14's radar intercept officer gave his pilot directions on how best to intercept the MiG-23s. The back-seater surprised some veteran pilots who have studied the videotape by arming his weapons so early in the encounter. This was his call:

"Bogies have jinked back into me for the fifth time. They're on my nose now. Inside of 20 miles. Master arm on. Master arm on." The radar officer asked the pilot whether his master arm light had gone on. "Good light!" said the pilot.

"I don't understand why they went into the arming mode so early without any further call from Alpha Bravo," said one aviator.

Mr. Howard, commenting that "there just isn't time when somebody is coming at you," agreed that once the F-14 crew had armed the plane's missiles, they had in effect decided to fight off what they judged to be attackers.

After his wingman had downed one MiG with the Sparrow in a head-on fight, the pilot of the lead F-14 swung in behind the second MiG-23 and sent the Sidewinder up his tailpipe. "I'm high cover on you," said the wingman as the lead pilot chased after the surviving MiG-23.

"That tells me," said a combat pilot, "that the MiG was running for home." Mr. Howard said navy briefers told him the second MiG was still a threat when it was downed.

Retired Rear Admiral Eugene J. Carroll, who commanded a Mediterranean task force in 1975-77 from aboard the Kennedy, said Mr. Carlucci "misled the American people by saying the F-14s were taking evasive maneuvers. Those were the standard maneuvers for getting the advantage."

In Bold Appeal to Deng, Dissident Urges He Declare General Amnesty

By Daniel Southerland
Washington Post Service

BEIJING — Fang Lizhi, China's most prominent dissident, has appealed to Deng Xiaoping, the country's senior leader, to announce a general amnesty within China and to release all political prisoners.

In an open letter to Mr. Deng made available Tuesday to foreign reporters, Mr. Fang urged the Chinese leader to declare the amnesty this year to mark the 40th anniversary of the founding of the People's Republic of China.

Mr. Fang, 52, an astrophysicist, urged in particular the release of Wei Jingsheng, the best known of China's political prisoners and editor of a pro-democracy journal, who has served more than half of a 15-year prison sentence imposed in 1979.

Diplomats and other observers in Beijing described Mr. Fang's appeal as exceedingly bold because freedom of speech is sharply restricted in China and because the issue of political prisoners is a sensitive one. China denies the existence of political prisoners.

Even more remarkable was Mr. Fang's decision to address his appeal directly to Mr. Deng, which few Chinese would dare to do.

For Mr. Fang to propose in particular the release of Mr. Wei was considered equally bold, because Mr. Wei had deeply offended Mr. Deng, once accusing him of "metamorphosing into a dictator."

Mr. Wei became the symbol of a short-lived democracy movement from 1978 to 1981, which was crushed by the Communist Party. Most leaders of that movement have been silenced, or are still in

prison, and Mr. Fang has succeeded in Beijing described Mr. Fang's appeal as exceedingly bold because freedom of speech is sharply restricted in China and because the issue of political prisoners is a sensitive one. China denies the existence of political prisoners.

Reliable figures on the number of political prisoners in China are not available, but thousands of people possibly tens of thousands — are believed to be in prison because of their political beliefs.

China has granted amnesties to prisoners in the past, but only on rare occasions. In 1959, on the 10th anniversary of the founding of the People's Republic, a large number of nationalist Chinese war prisoners and former officers were released. Another amnesty was granted in 1975.

On Monday, a campaigner for democracy who had studied in the United States was released from prison after serving two years.

The campaigner, Yang Wei, 24, was arrested Jan. 10, 1987, after participating in Chinese student demonstrations for freer speech and democracy, and convicted of engaging in "counterrevolutionary activities."

There have been unconfirmed reports in Beijing that an amnesty is being considered (for National Day on Oct. 1).

Mr. Deng is known to be highly critical of Mr. Fang. Speaking to other leaders in late 1986, Mr. Deng said he had read Mr. Fang's speeches and found that Mr. Fang "doesn't sound like a Communist Party member at all" and should be expelled from the party.

In early 1987, Mr. Fang was expelled from the party after being accused of encouraging pro-democracy demonstrations by university students.

Andrei D. Sakharov, the Soviet dissident and winner of the Nobel Peace Prize, and American and European scientists have appealed to Chinese leaders to lift a travel ban so that Mr. Fang can accept invitations to speak and do research in the United States for the next six months.

Mr. Fang recently published an article in The New York Review of Books in which he contends that China's hope now lies in the fact that "more and more people have broken free from blind faith" in the Communist Party leadership.

CHINA: Limit on State Role Urged

(Continued from page 1)

several of China's most far-reaching structural changes.

Mr. Hua said a new definition of socialism is needed, focusing on issues of social justice instead of on public ownership of means of production.

A Western diplomat in Beijing who specializes in economics noted that the government has been interested in ways to develop a shareholding system, and suggested that there probably would be high-level interest in the latest proposal.

But he added that the idea would be opposed by many people for ideological reasons, and would also be extremely difficult to carry out because of bureaucratic resistance and inertia at the local levels. There is also no legal groundwork for a shareholding system.

Financially, a huge amount is at stake. State-owned companies have fixed assets valued at about \$190 billion, and they account for two-thirds of China's industrial output.

Several other Chinese economists, most notably Li Yining, an economics professor at Beijing University, have called on China to move to a system of shareholder ownership. The Communist Party has endorsed the idea, but even maverick thinkers like Mr. Li say the state should retain a controlling interest of 25 percent to 51 percent in companies it spins off.

In two respects, the proposal by Mr. Hua and his colleagues goes much further than others. First, they call on the central government to sell all its holdings in the enterprises, while even the most enthusiastic proponents of change previously have said that socialism requires the government to retain a controlling interest in state enterprises. Second, the new proposal is the first to aim at broad political goals such as greater democratization, as well as at economic efficiency.

Mr. Hua and his colleagues worry that a share system will not work unless the link between government bureaucrats and factories is broken, and until large profit-oriented shareholders are created to supervise companies and make sure that they try to maximize profits.

Because potential investors would not be able to afford to buy companies from the state, Mr. Hua would like the government to issue "asset certificates" that could be used in place of money to buy shares in state companies.

The certificates would be given to Chinese universities and other institutions, partly replacing the subsidies they receive from the government.

Certificates would also be given to local governments, in exchange for pledges to pay a fixed sum to the central government each year.

Local governments would be prevented from making large investments in companies in their area, to prevent abuse of their authority to govern.

"If local governments own shares in local companies, they will become very bureaucratic," Mr. Hua said. "But when they own

shares in distant companies, they will be just like shareholders in Western economies."

Finally, certificates would be given to individuals working at state-owned companies, in exchange for giving up their right to lifetime employment.

Cash, as well as certificates, could be used to buy shares, and Mr. Hua says he strongly favors allowing foreigners to buy the stocks.

Mr. Hua first achieved general recognition in 1984, when he proposed what is known as the "dual-track pricing system." That plan, adopted the following year, stipulates that the government should continue to fix prices for goods produced under the state plan, but that prices of goods produced above the quota can float freely.

Last year Mr. Hua and his colleagues vigorously opposed plans for price liberalization. They were overruled initially when Mr. Zhao, Deng Xiaoping and other leaders adopted a plan to free prices, but they were vindicated when the Communist Party reversed itself in the late summer and postponed plans for price liberalization.

BLIMP: Huge Airship to Be Latest U.S. Military Craft

(Continued from page 1)

have no internal skeletons and their impermeable skins are supported entirely by the pressure of the non-flammable gas inside them.

This pressure is maintained by pumping air into two or more "balloons," large air sacks inside the blimp that can expand to fill the space left by contracting helium. (The gas that supports an airship, helium or hydrogen, contracts when the craft descends to a lower altitude or when it is cooled by passing under a cloud that blocks warming sunlight. This reduces the lift of the gas.)

Most blimps filled with helium have proved to be safe and reliable. During World War II, only one of the navy's 168 ocean-going blimps was destroyed by fire from an enemy submarine, and of the 89,000 ships escorted by anti-submarine blimps, none was sunk. The navy, nonetheless, ended its airship program in 1961.

Although the design of the new YEZ-2A descends directly from that of the French airship La France, which first flew in 1884, it will embody technology undreamed of until recent years.

Its three-deck gondola, with accommodations for a 15-member crew, mine-sweeping and submarine-detection gear, fueling hose and other equipment, will be the first pressurized airship cabin.

Even at the blimp's operating ceiling near 10,000 feet, crew members will not need oxygen masks.

The British-American consortium developing the new ship, Westinghouse-Airship Industries Inc., believes the YEZ-2A could herald a renaissance for commercial and military airships.

The main obstacle, according to the company's president, Edward J. Hogan Jr., will be "getting entrepreneurs to overcome the goggle factor."

Mr. Hogan, a retired U.S. Navy rear admiral and former fighter pilot, said in an interview that one business executives fail to take blimps seriously as efficient cargo or passenger carriers until they have witnessed demonstrations.

Meanwhile, however, the company is backed by a \$170 million Defense Department contract signed in 1987, which provides for the development and construction of the YEZ-2A, a prototype that could be the first of a series.

Mr. Hogan said some aspects of the program have subsequently bogged down because of a lack of agreement between the navy, the air force and the Defense Advanced Research Projects Agency regarding their respective management roles in the blimp project.

Flight operations for Airship Industries' advanced projects office here are managed by Peter A. Buckley, a former Royal Air Force pilot who learned to fly blimps while working for Goodyear Co. in Europe.

He believes his company's Skyship 600 blimps, which carry sightseeing passengers, display advertising and search for ocean pollution, are also test beds for revolutionary improvements in lighter-than-air technology.

In October, one of these blimps became the first aircraft to fly using "fly-by-light" control system. Older blimps are controlled manually with a large wheel at the pilot's side to move the elevators and

two rudder pedals, all linked by long cables to the control fins at the tail of the airship.

But the latest Skyship 600 has a side-stick controller like the flight control used in the newest fighter.

But the most important feature of Airship Industries' blimps is their ability to move straight up or down, backwards or forwards, or even to turn around while hovering.

This is made possible by "vector-thrust" engines, whose propellers can be swiveled to any angle.

The French-made, plastic-lined fabric from which the blimp hulls, or "envelopes," are made is nearly impermeable, and the helium in an Airship Industries blimp has to be purified or partially replenished only about twice a year, pilots said.

The reinforced noses of the airships are strong enough that the blimps can fly as fast as 90 miles (145 kilometers) an hour without risk of damage.

Broadcaster of Crash Of the Hindenburg Dies

The Associated Press
MORGANTOWN, West Virginia — Herbert Morrison, 83, a radio reporter who became famous for his emotional broadcast describing the crash of the German dirigible Hindenburg 52 years ago, died here Tuesday at a nursing home. No cause of death was given.

Mr. Morrison was a 31-year-old reporter for the Chicago radio station WLS on May 6, 1937, when he described the explosion of the airship as it approached landing in Lakehurst, New Jersey. He was the only broadcaster at the scene.

SOVIET: Politburo Decrees List

(Continued from page 1)

nominated for a constituency, the local electoral commission can convene a meeting of voters and work collectively before the election to discuss the nominations, and pick the final candidate or candidates by majority vote, open or in secret.

Only in cases where no more than two candidates have been nominated is a pre-election meeting not required, and presumably both would appear on the ballot.

Previous Soviet elections have had only one candidate for each legislative seat. So far, only 28 candidates have been nominated in 19 of the 26 Moscow electoral districts where the nominations have been completed, according to Tass.

"We must view the election campaign," Mr. Gorbachev said, "not as a chaotic process but as a most important mass campaign. We can also come up against a number of

negative phenomena: group egoism, ambition and political careerism. Speculation on the problems connected with the development of relations between nationalities cannot be ruled out either."

Tass said: "The process of preliminary selection of candidates was really democratic. Wide support has been given to those party members who proved by deeds their commitment to the policy of restructuring."

The Soviet press has published articles making clear that it has not been that simple. In the newspaper Socialist Industry, for example, an article told Tuesday how Valeri V. Gruzhi was nominated as a party candidate by his fellow factory workers in Omsk on Dec. 27. The regional party committee simply disregarded the nomination and picked somebody else; the first secretary of the district party organization.

LIBYA: Religious Turmoil

(Continued from page 1)

Islamic revolution," reads a large sign at Tripoli's airport.

Yet, while Colonel Gadhafi's Green Book, the political and ideological guide for his revolutionary rule, blends in some Islamic tenets, it is more Gadhafi than Koran.

Colonel Gadhafi has run into opposition before from religious leaders and their followers for his campaign to liberate women, including putting them into the military, liberalizing divorce procedures for women and officially discouraging polygamy.

Diplomatic and other sources say many members of the Muslim Brotherhood and other opposition figures have returned to Libya since Colonel Gadhafi began his changes last spring.

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Denmark** D.K.	0430 00 80	2,700	1,304	1,300	830
Finland** F.M.	(90) 60 30 30*	1,200	1,204	970	540
France** F.F.	05-436 436	1,500	1,230	830	455
Germany** G.M.	0130 25 31	390	403	320	176
Gr. Britain** E	—	135	102	74	41
Greece** G.R.	691 02 42***	23,500	31,100	13,250	7,300
Ireland** I.R.	—	155	118	85	47
Italy** I.T.	—	360,000	295,200	200,000	110,000
Luxembourg** L.F.	49 49 60	11,000	7,200	6,000	3,300
Netherlands** N.L.	06-022 08 15	600	472	340	185
Norway** N.W.	(02) 41 34 89*	2,000	1,276	1,100	600
Portugal** P.T.	(01) 80 71 22*	26,000	32,240	14,300	7,900
Spain** S.P.	(91) 401 29 00*	31,000	23,600	17,000	9,400
Sweden** S.K.	(08) 21 01 90*	2,000	1,276	1,100	600
Switzerland** S.F.	046 05 68 00	455	455	255	141
Rest Europe, N. Afr., Y.French Africa, Mid. East \$	—	470	Varies by country	260	145
Rest of Afr., Gulf St. Asia \$	—	620		340	190
Central/Latin America \$	—	540		295	160

[illegible]

and formerly chief economist of Salomon Brothers Inc., predicted that pressure would mount on the Federal Reserve Board to further tighten credit conditions as the economy continues to grow at a robust rate.

Michael Mew, a market analyst with Oppenheimer & Co., said, "The consensus among investors is that interest rates will go higher. I personally believe they are peaking but it's hard to fight the consensus."

RJR Nabisco was the most active issue, up 2% to 95. Banking sources Tuesday said they were close to raising \$12.4 billion from a consortium of international banks to help finance Kohlberg, Kravis, Roberts & Co.'s leveraged buyout of RJR Nabisco.

Nova Corp. of Alberta followed, unchanged at 10%. Public Service of Colorado was third, off 1/4 to 20%.

AT&T eased 1/4 to 28%. IBM fell 1/4 to 121%.

Procter & Gamble jumped 1 1/2 to 88% on speculation the company's board would increase its quarterly dividend.

Among other blue chips, USX fell 1/4 to 31, Exxon fell 1/4 to 44, Sears eased to 41 1/4, Merck fell 1/4 to 37 1/4, General Electric fell 1/4 to 44 1/4, General Motors fell 1/4 to 45 1/4, Coca-Cola fell 1/4 to 44 1/4 and Philip Morris rose 1/4 to 100 1/4.

Prices closed lower in moderate trading of American Stock Exchange issues. The American exchange index fell 0.59 to close at 312.95. The price of an average share lost 2 cents. Declines led advances 302-262 among the 344 issues traded.

[illegible][illegible]

BUSINESS ROUNDUP

Insurer Sweeps Up Hammerson Blocking Stake

Compiled by Our Staff From Dispatches

LONDON — Britain's Standard Life Assurance Co., moving to help Hammerson Property Investment & Development Corp. deter a hostile bid from Rodamco NV of the Netherlands, paid \$63.25 million (about \$112 million) on Tuesday to raise its voting stake in the U.K. real estate concern to about 28.8 percent.

The Barclays de Zoete Wedd brokerage said it had bought 5.75 million Hammerson shares at \$11.30 (\$19.40) each on behalf of Standard Life, significantly above the \$8.18 bid on Nov. 23 by Rodamco, the largest publicly traded Dutch property company and a part of the Robeco investment group. Hammerson immediately rejected the Rodamco offer.

Analysts said Standard's purchases appeared to be a friendly move in advance of Hammerson's announcement of its latest asset value, which is expected Thursday or Friday. They said the price paid Tuesday indicates a new value of about \$11, up from \$6.51 on Dec. 31, 1987.

Standard said it would not ac-

cept Rodamco's offer for its Hammerson shares.

Hammerson recently said it expected external valuations of its property interests to show "very substantial additional value."

Standard said that together with parties deemed to be acting in concert with the company, it raised its holding in Hammerson to 11.9 million ordinary shares and 28.04 million class A shares, which have less voting rights. Hammerson last detailed Standard's voting rights in the company at about 18 percent, as of Nov. 28. Standard spokesmen were unavailable to comment further on its intentions.

On the London Stock Exchange on Tuesday, Hammerson ordinary stock rose 25 pence to 980 pence, but the class A shares fell 44 pence to 877. Rodamco's bid offers 780 pence for each class A share.

In Rotterdam, Rik van Slingelandt, a Rodamco director, would not say if his company would raise its bid. "We're not ruling anything out," he said. "We're simply saying that our bid remains fair."

Mr. van Slingelandt said Rodamco's next step would be to

await the release of Hammerson's defense document, due to be published before the end of this week.

According to the rules of the London Stock Exchange, Rodamco will then have until Jan. 20 to respond to Hammerson's document. Mr. Slingelandt indicated that Rodamco's response would probably come next week.

On Monday, Rodamco sent a letter to Hammerson shareholders urging them not to be unduly impressed by what the Dutch company described as exaggerated price movements.

"Basically, the message of the letter was that the only reason why Hammerson's share price is currently so strong is because of the bid we brought out," Mr. Slingelandt said.

Dutch analysts said that Rodamco had sufficient internal funds and borrowing power to be able to sweeten its bid if it wished. However, they said Rodamco might well drop its takeover attempt if Hammerson's independent property valuation led to a strong upward revision in the British company's net asset value per

share, forcing Rodamco to respond with a substantial increase in its offer.

Fokko Tuijn, an analyst at the Amsterdam-based investment bank Kempen & Co., said, "Personally, I don't think that the chances are good that Rodamco will raise its bid. Rodamco probably already knows how far it is prepared to go, and it's not going to go beyond that just to be able to claim victory. But it's all guess work until we see Hammerson's valuation."

Another analyst, who asked not to be named, noted that the Rodamco-Hammerson struggle could not be directly compared with the hostile bid last summer by Wereldwide NV, the second-largest Dutch property company, for Peachey Property Corp. of Britain. Wereldwide ultimately won control of Peachey, but only after it sweetened its offer.

"Peachey had no significant major shareholders to contend with," the analyst said. "Rodamco is facing a far stronger level of opposition than Wereldwide ever saw."

(Reuters, IHT)

ABB Sets Deal With Italy for Energy Units

By Clyde H. Farnsworth

New York Times Service

ROME — Finmeccanica SpA, the state-controlled Italian engineering concern, said Tuesday that it plans to sign an accord this week with the Swiss-Swedish group, ABB Asa Brown Boveri AG, to set up joint ventures merging their energy activities in Italy.

ABB is already active in Italy. It has acquired a large stake in the power engineering group, Franco Tosi SpA, and full ownership of the Franco Tosi subsidiary Marelli SpA, which makes generators.

Under the accord, four joint ventures would be established. The first, 40 percent owned by ABB, would produce electric generators, boilers and turbines. A second joint venture, covering transformers, would be controlled by ABB. A third would cover marketing of energy plants and the fourth, electric motors.

Japan Extends Curbs on Car Sales

'Voluntary' U.S. Quotas to Stay in Place Another Year

By Clyde H. Farnsworth

New York Times Service

WASHINGTON — Despite strong opposition in Japan, the Japanese government on Tuesday agreed to maintain its restraints on automobile exports to the United States for another year.

In an announcement in Tokyo, the Minister of International Trade and Industry, Hiroshi Mitsumata, said the Japanese cabinet had decided to keep the quotas, which are termed voluntary, at 2.3 million cars a year.

The quotas have been at that level since 1985, but for two years, Japanese automakers have shipped fewer cars to the United States than they are allowed to send.

Mr. Mitsumata told a news conference that the Japanese government is not convinced that auto exports have permanently declined.

"However, if we removed the quotas, we are concerned that there are companies which are aggressively marketing in the United States, and a declining tendency

doesn't seem to be stabilized yet," he said.

U.S. trade officials said Japan was acting because of the political sensitivity of the auto issue in the United States. In Japan, the quotas are viewed negatively, as a form of American protectionism.

Despite the growth of Japanese automotive production in the United States, cars and car parts account for about half of the American trade deficit with Japan, some \$50 billion a year.

The news was welcomed by Ford Motor Co. and Chrysler Corp. Tokyo may well use its announcement as an argument to press President Ronald Reagan to remove trade sanctions against Japanese electronic products before the change in administration.

"The Japanese are notoriously good negotiators," said a side U.S. Representative, Bob Traxler, a Michigan Democrat. "Usually they don't give anything away unless they expect something in return."

The consensus of Reagan administration trade officials is that the punitive tariffs on \$165 million

worth of electronics imports, imposed nearly two years ago after the United States accused Japan of violating an accord on computer chips, should remain in force.

Tokyo is acting to extend the quota on cars even though the Reagan administration decided four years ago that it would no longer press Japan on the restraints.

Japanese car sales in the United States have declined, in part because the yen has doubled against the dollar in the last three years, making Japanese products more expensive.

The restraints, therefore, act as a kind of safety net for the domestic industry.

Japan's auto quota year began April 1, which corresponds with the fiscal year. In the year ended March 31, 1988, Japan's nine automakers shipped 2.14 million of the 2.3 million cars they were allowed to export.

From April to October 1988, shipments from Japan totaled 1.45 million units, compared with 1.45 million units for the comparable period of the previous year.

SOFTWARE: Mentor Graphics Finds the Going is Tougher at the Top

(Continued from first page)

Mentor, Daisy and Valid were equal in sales five years ago, but Mentor is far larger today. In the quarter that ended Sept. 30, the most recent for which figures are available, Mentor earned \$8.8 million on sales of \$77.6 million, while Daisy earned \$2.8 million on \$30.9 million in sales and Valid earned \$1.7 million on sales of \$28 million.

But those numbers tell only part of the story. Mentor's competitors on buying spree in the last quarter. Daisy, based in Mountain View, California, has effectively doubled in size by acquiring Cadentrix Corp. of Boulder, Colorado, which itself had just acquired two other companies. Valid, based in San Jose, California, embarked on a series of smaller but strategic acquisitions, which broadened its product line and customer base.

And yet another major competitor, Cadence Design Systems Inc. of San Jose, emerged from the amalgamation of two smaller companies, Ecad Inc. and SDA Systems Inc.

Old-line technical computer companies like Hewlett-Packard Co. and International Business Machines Corp. have played a smaller role in the industry so far, but remain potential threats.

Mentor's managers dismiss the industry's mergers as ill-conceived "thrashing about," the desperate

moves of also-rans who realized they were too small to compete with the market leader. Analysts say this is correct, up to a point. Mentor's success pushed smaller companies to merge, but the merged companies present a greater challenge to Mentor.

The market response seems more clearcut. Several years ago, Mentor, Daisy and Valid were all trading at similar levels. On Monday, Mentor closed at \$29.25 in over-the-counter trading, holding up well against its 52-week high; Daisy closed at \$6.25, not far from its 52-week low of \$5.50; and Valid closed at \$5.15, about mid-point between its high and low.

Mentor executives say competitors promise more than they will be able to deliver. "Daisy and Valid are struggling from a management and a financial standpoint," said Thomas H. Bruggere, Mentor's chairman and chief executive. "It is possible to do these acquisitions, but it is not a wise way to grow."

Analysts are less critical. "Daisy has the technology; they've had to buy the customers," said Charles M. Foundryer of Daratech Inc., a market research firm. "Mentor clearly has too much of a lead, so the only play for Daisy was to buy the customer base and cobble together a system." Valid's acquisitions have been smaller, but its success in selling systems based on Sun

have come at Mentor's expense, he said.

Mentor made only two relatively small acquisitions last year. It bought Cootner Design Systems of Menlo Park, California, which specializes in analog component design tools, for \$2 million, and paid \$5 million for computer-aided design technology and the computer-aided software engineering unit of Tektronix Corp.

Merging companies with disparate product lines is complicated, said Mr. Bruggere. Electronic design automation tools involve millions of lines of software code and complex databases, as well as formats for revisions and commands, all of which must be made to work together.

He likens the merger process to two aircraft manufacturers assembling components from different aircraft into a single plane. "The final product might fly, but you wouldn't want to ride in it," he said.

Balderdash, Mentor's competitors say. "I've got news for Mentor — it ain't all that complicated" to integrate product lines, said David S. president, Norman E. Friedman.

He said Mentor belittles mergers because it is not good at them. "Mentor made some early acquisitions which were complete failures, and there's a scar tissue left over from that," he said, changing mar-

ket. Daisy was two years ago, tied to a nonstandard computer; Daisy software runs on Sun.

Mentor executives might concede his first point. Mentor's December 1983 acquisition of California Automated Design Inc. was not painless.

"Yes, we had troubles, we lost some of the key people, but we learned lessons," said Frank Costa, Mentor's senior group vice president. He said subsequent acquisitions of smaller companies for specific technology have been successful, but "Mentor won't go out and acquire another \$300 million company."

Mentor's marriage to the Apollo workstation is a tougher issue. Apollo's products are still regarded as state of the art, especially its networking technology, and the relationship has historically been positive for Mentor.

But Apollo has ceded market leadership to Sun, and analysts say its steep losses in recent quarters could make customers wary.

Mr. Bruggere said Apollo has "superior technology, but lousy marketing — they seem to want to rely on us to do their marketing for them." But picking a second supplier is not easy, Sun's market dominance was not obvious two years ago, for example. IBM and Digital Equipment Corp. are both readying new workstations.

While Mentor is considering adding a second so-called platform from IBM, DEC or Sun, this is no easy task. Software must be rewritten and another manufacturer is not likely to duplicate the hefty discounts Apollo offered.

Because the electronics design automation business is evolving so rapidly, no one company can always supply the latest tools. "Niche market tools with new functions are constantly emerging and so too are fast-moving new companies to supply them. Mentor typically adds these new functions with each new software release,

Acquisitions Beef Up the Competition

Estimated 1988 worldwide revenues of U.S. electronic design automation companies. Includes 1988 revenues of companies acquired in 1988 or now being acquired. In millions of dollars.

1988 Revenues of Acquisitions	1988 Revenues of U.S. Companies
Mentor Graphics	Cadentrix: \$82*
Daisy	Valid: \$115
Valid Logic	Tangent Systems Inc.: \$81
Cadentrix	SPS: \$74

* Including \$7 million in revenues from document preparation software.

* Now being acquired.

7 Acquired in 1988.

Source: Datapoint

Honda Says 1989 Sales Will Increase by 8.3%

By Clyde H. Farnsworth

New York Times Service

TOKYO — Honda Motor Co., Japan's third-biggest automaker, said Tuesday that it expects vehicle sales to rise to 1.4 million in 1989, up 8.3 percent from a year earlier. Tadashi Kume, president of Honda, told a press conference that exports are projected to rise to 720,000 vehicles in 1989, up 6 percent from 1988, mainly due to an increase in exports to North America.

Mr. Kume predicted that domestic sales would rise by 10.9 percent in 1989, to 685,000 units, due to expected strong demand.

The company predicted domestic motorcycle sales of one million in 1989, up 9.8 percent from 1988, and motorcycle exports of 560,000, up 12 percent.

Mr. Kume said that overseas demand has begun to pick up and Honda's adjustment for its overseas inventories was completed in 1988.

Production of Honda brand vehicles will rise 8 percent, to 1.9 million in 1989, and that of motorcycles will rise 7 percent, to 3.1 million, the company said.

Vehicle exports in 1988 fell 2.3 percent from a year earlier, to 679,378 units, while domestic sales

rose 13.1 percent to 617,499, the company said.

Domestic sales of Accord models, imported from Honda's wholly owned Honda of America unit in Ohio, totaled 5,385 in 1988, Mr. Kume said. However, domestic sales of the U.S.-built units are expected to fall to 4,600 in 1989 due to tight supplies, he said.

The company plans to increase imports of Accord to 50,000 in 1991 or 1992, he said.

Elders Sells Its Stake In Anheuser-Busch

By Clyde H. Farnsworth

MELBOURNE — The Australian brewing and investment group Elders Ltd. said Tuesday that it has sold its stake in the U.S. brewer, Anheuser-Busch Cos. A company official said the stake, of less than 1 percent, was sold in October. He did not say to whom.

The disposal came to light in documents relating to Elders' plan to privatize Elders Investments Ltd., the 76.68 percent-owned Hong Kong subsidiary through which the stake was held.

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BUSINESS ROUNDUP

Judge Declares Mistrial in GAF Case

Compiled by Our Staff From Dispatches
NEW YORK—A U.S. judge on Tuesday granted GAF Corp.'s motion for a mistrial in the stock manipulation case against it and an executive, ending the first trial arising from testimony of Ivan F. Boesky.

U.S. District Judge Mary J. Lowe also said, however, that she would start picking a jury Wednesday morning for a new trial.

The judge ruled that prosecutors wrongly withheld information that a key document in the case may have been altered.

Arthur Liman, trial lawyer for the defendants, which include two GAF subsidiaries, said he would attempt to have all of the charges dismissed. Defense lawyers said they would argue that another trial would violate the defendants' constitutional rights.

The document in question was an invoice from the Jefferies & Co. brokerage that billed GAF for banking services in the amount of \$40,000. A line on the invoice was partly obscured to inform the defense about the possible tampering prior to the trial as required under criminal rules of evidence.

GAF and its vice chairman, James T. Sherwin, were indicted in July on charges of manipulating the stock of Union Carbide Corp. During the trial the key witness, Boyd L. Jefferies, testified that Mr. Sherwin had asked him to make the stock of Union Carbide close over a specific period at a specific price.

The alleged motive was to maximize the gain GAF would realize by selling its holdings of Union Carbide stock following a failed takeover attempt of the larger chemical company.

Mr. Jefferies, formerly chairman of Jefferies & Co., is an unindicted co-conspirator in the alleged scheme.

He has been cooperating with the government and has pleaded guilty to two felony counts after being implicated in the Wall Street trading scandals by Mr. Boesky.

In late October 1986, when the GAF-Jefferies scheme is alleged to have begun, GAF held 9.6 million shares of Carbide. Between Oct. 29 and Oct. 30, Jefferies acquired 190,100 shares. During those two days, the stock rose 25 cents a share, to \$22.125. The stock then declined and Jefferies sold it at a loss on Nov. 3 and Nov. 4.

GAF did not dispose of Union Carbide stock until Nov. 10, when it sold 5.8 million shares for \$115 million, or \$23.125 a share.

Prosecutors said the invoice was intended to mask GAF's compensation to Jefferies & Co. for the brokerage's losses in the Union Carbide deal. The invoice stated GAF owed Jefferies payment for "investment-banking advisory services" with respect to a British company in which GAF was interested.

Early last week, however, Mr. Liman suggested that Mr. Jefferies faked the invoice that was found in Jefferies & Co. files.

The government then disclosed it had an expert report indicating that the invoice had been photocopied from a document from which words had been deleted with opaque fluid.

The mistrial ruling was a blow to Rudolph W. Giuliani, the U.S. attorney who has been prosecuting the insider-trading cases. Mr. Giuliani announced on Tuesday that he would resign, a move that had been expected. He is thought to be interested in running for an elected public office. (Reuters, UPI, AP)

National Westminster Taps New Chief for Subsidiary

Reuters
LONDON—National Westminster Bank PLC, moving to address the difficulties faced by its securities arm, County NatWest Ltd., announced Tuesday that it has appointed Howard MacDonald as chairman and chief executive of the unit, effective next Monday.

Mr. MacDonald replaces Terry Green, who reverts to his duties as deputy group chief executive at the bank. National Westminster said in a statement that followed a board meeting. Mr. MacDonald also becomes chief executive of NatWest Investment Bank.

Shares of National Westminster, Britain's biggest bank, rose 10 pence to 537 pence (\$9.47) on the London Stock Exchange, helped by market speculation that the company might close County NatWest, which is said to have recorded large losses last year.

National Westminster also said that it was providing assistance to Department of Trade and Industry inspectors investigating the activities of County NatWest as adviser to Blue Arrow PLC in its 1987 bid for Manpower Inc.

County NatWest built up a 9.5 percent stake in Blue Arrow after a rights issue to fund the Manpower bid flopped.

Difficulties at County come as British and foreign banks in London re-examine their equity units in the aftermath of the October 1987 stock market collapse. The current shake-out in the investment-banking industry has resulted in a net loss of about 2,000 jobs.

The latest casualties were announced Tuesday when the stock-broking arm of Britain's second biggest bank, Barclays PLC, said it was firing 19 of its staff.

Barclays de Zotte Weid said the dismissals did not signal a retreat from the firm's operations but followed a routine annual review of company strategy.

Net Asset Value on January 5, 1989

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Pacific Selection Fund N.V.

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Pan Am Says It Will Sell Profitable Services Unit

Reuters
NEW YORK—Pan Am Corp. said Tuesday that it planned to offer its profitable contract services unit for sale because the subsidiary's operations are not related to its primary business, Pan American World Airways.

Pan Am said its Pan Am World Services unit had pretax income of \$23 million on sales of \$550 million in 1987. Pan Am Corp. lost \$265.3 million on sales of \$3.6 billion in 1987.

Thomas Flasket, chairman of Pan Am, said, "In taking this action, the board has recognized the progress that is being made at Pan Am and has demonstrated its commitment to the growth of Pan Am by providing internal sources of capital that will strengthen the carrier as it moves ahead with its recovery plan."

Last summer, Pan Am's board authorized asset sales as part of a plan to concentrate on returning Pan American World Airways to profitability.

The airline recently agreed to sell delivery rights for Airbus 320 aircraft to Braniff Inc. for \$115 million. But it also said Tuesday that it ordered four Airbus A310-300 jets for delivery between 1990 and 1991. Sources estimated the cost at \$240 million.

Proceeds from the sale of the contract services unit and the aircraft delivery positions will be used to strengthen Pan Am's financial and competitive position through investment in the airline, the company said.

Planned investments include \$61 million to improve a terminal at John F. Kennedy airport in New York, \$25 million to refurbish aircraft and \$20 million for information systems, customer service and other programs.

Analysis said after the sale to Braniff that further asset sales were likely and would enable Pan Am to raise enough cash to survive the slow winter season.

GEC: U.S. Giant Said to Seek Role

(Continued from first finance page)

gested that the group was attempting to convince British regulatory authorities and parliamentary opinion that a bid for GEC would be no less "European" and no less legitimate than the pending GEC-Siemens AG joint bid for Plessey.

The intended effect would be to have both the GEC-Siemens bid and the consortium's bid for GEC referred for closer examination to the Monopolies and Mergers Commission.

Sandy Morris, an analyst with County NatWest Securities in London said a referral to the commission of both bids would allow Plessey to put its own prospective joint bid for GEC "in much better form, including the raising of finance, as well as all the political machinations required."

Government sources, meanwhile, said the Office of Fair Trading had concluded an examination of the bid for Plessey and had advised the government on whether to recommend referring the bid to the monopolies commission. But the sources would not disclose the advice.

The Office of Fair Trading has said that it will be looking at the prospective counter-bid for GEC even before a formal offer.

While the presence of state-owned Thomson in a Plessey-STC consortium would raise concern among government officials about GEC's key defense electronic systems falling into foreign hands, the consortium could argue that European cooperation in defense technology is necessary to remain competitive with U.S. and Japanese giants, observers said.

GEC works on sensitive guidance-systems technology for advanced torpedoes, the Spearfish and the Stingray.

Analysts said it was not clear how the three companies would seek to divide up GE assets if a prospective bid were to prove successful.

Most observers said that STC, which is 20 percent owned by Northern Telecom of Canada, would seek to obtain GEC's telecommunication interests, while Plessey and Thomson would divide up GEC's Marconi units to civilian and defense electronics.

GEC shares closed 1 penny lower at 220 pence Tuesday, reflecting widespread conviction in the market that any bid for the top British electronics company will be referred to the Monopolies Commission for a lengthy investigation.

ADS: Miller Makes Texas-Sized Bet

(Continued from first finance page)

Miller Lite. As a relative newcomer, entering the national market in 1982, Bud Light sells only half as much beer as Miller Lite, which outsells all other light brands.

In 1987, Bud Lite sold only 8.2 million barrels of beer nationally to Miller Lite's 19.2 million barrels, said Mr. Steinman. But that gap may narrow in the near future if Bud Light sales continue to climb at 20 percent a year, as they have since 1985.

Rivalries are even more heated in Texas, where Miller Lite is struggling to maintain a slim lead over the regular Budweiser.

In 1987, Miller Lite sold 3.3 million barrels in Texas, down from 3.6 million barrels in 1986, Mr. Steinman said. As a result, Miller Lite's lead over Budweiser narrowed to 1,000 barrels, from 140,000 barrels in 1986, he added.

And though figures for 1988 have not yet been compiled, Mr. Steinman said, Miller Lite's sales volume for the year is expected to decline further, but not as sharply as in the previous year.

Miller Lite can hardly afford to slip in Texas. Texans drink more beer than residents of any other state. Last year, average beer consumption in the state was 27.5 gallons per person, compared with 24.1 in California and 20.8 in New York.

Texas is also Miller country. Miller Lite's leading market, Texas accounted for 20 percent of its 1987 sales, Mr. Steinman said. "Texas is

a very important part of the country," said Jerry Slane, an account executive at Bacc, Spivey & Co. who developed the idea and presented it to Miller. "In an important area, you address it with extra energy."

Texas also was a suitable testing ground for the new campaign because of its "unique sense of identity," said Mr. Slane. Regional advertising, he said, is more likely to work in Texas than in "more cosmopolitan" settings.

"The Texans regard themselves almost as their own country," he said. "It really becomes easier to create ads for an area like that."

Mr. Bertini, the brand manager of Miller Lite, says it is "too early" to judge the effectiveness of the campaign.

But local merchants say they are seeing slight increases in the popularity of Miller Lite.

Indeed, the campaign has become part of the local culture in Texas. Mr. Quaid's promise at the end of every ad—"We'll get back to you soon with more details"—has become part of the local lexicon.

The invitation is genuine, and so is local interest in attending the event. Mr. Bertini said people have written Miller, asking to be invited to the party and for its time and place. He said Sept. 2 is the slated date but says a place has yet to be chosen.

While Miller has no idea how many people will actually turn out, he said, "We're looking for a place where the most people can attend."

Fairchild Shuffles Staffing

New York Times Service
NEW YORK—Fairchild Publications, the trade journal unit of Capital Cities/ABC Inc., has realigned its organization and is examining the introduction of a European publication similar to its Women's Wear Daily.

Daily News Record, which covers menswear, was put under the editorship of Michael Coady, senior vice president, group publisher and editor of Fairchild Publications. Peter Pressola, the fashion editor, has gone to work for Bloomingdale's, the department store chain.

Stephen Stoneburn, who was publisher-director of Daily News Record, is being sent to Paris, where he will look into starting a publication similar to Women's Wear Daily for Europe. Mr. Coady said.

Mr. Coady said advertising revenues at Women's Wear Daily have been relatively flat for the last three years. He attributed this to leveraged buyouts and consolidation in the U.S. fiber industry, whose major producers have cut back production—and advertising—as the manufacturing of apparel has moved offshore.

People familiar with Women's Wear Daily advertising operations estimated fiber industry advertising revenues of the newspaper five years ago at about \$8 million annually. They are now closer to \$4 million a year.

"It's an enormous amount of revenue that everyone's lost," said John Fairchild, chairman and editorial director.

GT SELECT BOND FUND

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DIVIDEND ANNOUNCEMENT

The shareholders are advised that on Tuesday, January 31, 1989 a dividend of GBP 0.24 per share of the GT SELECT GILT CLASS will be paid to registered shareholders at the close of business December 30, 1988 and shares will be traded ex-dividend after December 30, 1988.

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(Continued from Back Page)

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CURRENCY MARKETS

Dollar Climbs Despite Fed Sales

Compiled by Our Staff From Dispatches
NEW YORK — The dollar finished higher against major currencies Tuesday, despite what dealers described as light selling of the currency by the Federal Reserve.

Currency dealers said the dollar began rising early in Europe, after opening lower in the wake of central bank intervention on Monday.

Traders were hesitant to take the dollar above 1.83 Deutsche marks for most of the day, but gathered courage late in the European session after noting that the West German Bundesbank had been absent from the market.

The dollar closed in New York at 1.8355 DM, up from 1.8205 on Monday, and at 126.25 yen, up from 125.95 on Monday.

Against the British pound, the dollar rose to \$1.7650 from \$1.7740 a day earlier.

The dollar closed at 1.5658 Swiss francs, up from 1.5510 on Monday, and at 6.2515 French francs, up from 6.2090 francs a day earlier.

Dealers said that the Fed intervened after the dollar edged toward 1.8325 marks late in the morning session in New York and responded to sell dollars again at mid-afternoon when the currency drifted up to about 1.8375 marks.

"The move was not concerted because the other central banks

London Dollar Rates

Currency	Yen	Mark
Deutsche mark	1.8355	1.8275
Swiss franc	1.5658	1.5510
French franc	6.2515	6.2090
British pound	1.7650	1.7740

Source: Reuters

had already gone home for the day," said Daniel Holland, a vice president at Discount Corp. of New York.

The dollar's rise also was encouraged by comments by Beryl Sprinkel, the White House chief economic adviser, who questioned the validity of central-bank intervention.

Mr. Holland said the dollar's rise came mainly on speculative activity by professional traders buying to cover earlier promises to sell the dollar rather than "real corporate demand for the dollar."

"We have some people throwing in the towel here, saying it doesn't look like it's coming down," he said.

Earlier in London, the dollar ended at its highest closing level in three months against the mark.

Dealers said a major cause of the dollar's rise was the fact the Bundesbank "did to signal an interest rate rise."

Steve Barrow, a corporate adviser at Chemical Bank.

The West German central bank stuck to a fixed rate of 5.0 percent for its securities repurchase tender.

Had the Bundesbank opted for a variable rate for its tender, this would have definitely pushed West German interest rates higher, dealers said.

The dollar closed in London at 1.8345 DM, up from 1.8275 on Monday. The Fed reportedly sold dollars at 1.8315 DM.

The close against the mark was the dollar's highest since Oct. 12.

The dollar ended slightly lower against the yen in London, however, as dealers said the death of Emperor Hirohito has unleashed pent-up demand for the Japanese currency. The dollar closed at 126.35 yen, down from 125.50 on Monday.

The British pound edged up to \$1.7645 from \$1.7640.

The dollar closed at 1.5640 Swiss francs, up from 1.5565 on Monday, and at 6.2525 French francs, up from 6.2325 francs a day earlier.

Dealers said interest rate differentials between the U.S. and Germany continue to turn investors toward the dollar, particularly as U.S. commercial banks are expected to raise their prime lending rates, currently 10 1/2 percent.

(Reuters, AP)

Fed Pinpoints Need to Fight Price Pressures

By Patrick L. Smith
International Herald Tribune

TOKYO — The U.S. Federal Reserve Board supports international efforts to achieve exchange-rate stability, but the main focus of its policy remains the fight against inflation, a Fed governor said Tuesday.

Wayne Angell told a seminar that the Fed is determined to resist an outbreak of price pressures.

The United States should aim to cut consumer price inflation by between one-half and one percentage point a year, Mr. Angell said later, adding that while he was not totally satisfied with the current inflation rate of 4.2 percent, part of that reflected the recent U.S. drought.

Mr. Angell said he saw no contradiction now between exchange-rate stability and the fight against inflation. Commodity prices are rising, so a dollar depreciation would not be desirable, he added.

The Group of Seven countries had been successful in meeting their exchange-rate objectives, he said.

Japan Forecasts Strong Economy, Trade Surplus

By Patrick L. Smith
International Herald Tribune

TOKYO — Japan's trade surplus will shrink only slightly in the fiscal year beginning April 1, and the economy will continue to grow steadily because of robust domestic demand, the Japanese government said Tuesday.

Government officials said that Japan will cut its trade surplus to \$88 billion in the next fiscal year, from an officially estimated \$93 billion in the year ending on March 31. The government had previously estimated the trade surplus for the current fiscal year at \$91 billion.

The government also issued a preliminary forecast of 4 percent growth in gross national product for the next fiscal year, its most optimistic prediction in two years.

The economic outlook, details of which are to be published next week, is based on a domestic growth forecast of 4.7 percent in inflation-adjusted terms and a contraction of seven-tenths of one percent in exports.

In an international context, economists and trade analysts said this economic growth pattern is likely to be accepted as a continuation of the global adjustment process between Japan and its principal trading partners launched several years ago.

But a real decline in exports is unlikely to offset the impact of weaker prices for Japan's

imports of petroleum and other commodities and the effect of recent price increases on Japanese goods sold overseas, these sources said.

Measured in dollar terms, they concluded, Japan's trade surplus is unlikely to undergo a substantial reduction in the coming fiscal year.

"The problem is not with the underlying process of volume adjustment—that will continue," said David Pike, research manager at UBS Phillips & Drew International Ltd. in Tokyo. "But financial markets focus on nominal dollar figures every month, and that is where we're likely to see problems."

Consumer spending and capital investment, although they are expected to drop from current levels, will remain the driving forces behind the domestic economy, according to the Economic Planning Agency, which reported the official forecast.

Housing investment, which was one of the principal sources of growth when Japan's current economic recovery got under way last year, is expected to contract.

"Housing and construction have grown at a rather high level this year," said Koichi Tani, a division manager at the Economic Planning Agency, a cabinet advisory body. "But the rate can't be expected to be maintained."

Although many details of the forecast were

unavailable, private capital formation is expected to increase by slightly less than 10 percent in the coming year, a government economist said, compared with a rise of about 15 percent in the current year.

The overall growth figure of 4 percent represents a compromise between the Economic Planning Agency, the Finance Ministry and the Ministry of International Trade and Industry. In its own forecast, the Ministry of International Trade and Industry predicted growth of 4.7 percent for fiscal 1989.

Compared with the current fiscal year, the 1989 outlook is higher than the official forecast of 3.8 percent, but lower than the 5 percent growth figure most economists anticipate for the 12 months to March 31.

In the three months ended Sept. 30, the economy expanded at an annualized rate of 9.3 percent, following contraction of 2.2 percent in the previous quarter.

Although exports grew modestly in volume terms in the first half of 1988, they gained momentum dramatically in the third quarter, chiefly reflecting capital spending increases in the United States, Europe and East Asia. Many economists warned last fall that the trade-adjustment process was stalling.

Sweden, an Eye on EC, Lifts Currency Controls

Compiled by Our Staff From Dispatches
STOCKHOLM — The Swedish government proposed Tuesday to dismantle its foreign currency regulations in what it called an attempt to emulate the European Community and "fully expose" domestic markets to competition.

Finance Minister Kjell-Olof Feldt made the proposal as part of his 1989-90 budget, the first since 1962 that calls for a surplus. Under the plan, foreigners will gain rights to buy Swedish kronor, while Swedes will be able to buy foreign bonds.

It was the latest radical economic move from the Social Democratic government. In November, Mr. Feldt unveiled the most dramatic reform of the Swedish tax system in six decades, drastically cutting income tax and sweeping away a series of tax write-off regulations.

In his budget statement, Mr. Feldt said Sweden needed to move economically closer to the European Community. The 12-nation bloc is seeking to scrap barriers to the free movement of money among member states.

"It would be unfortunate if Sweden sidelined itself from these developments," Mr. Feldt said.

The finance minister said he hoped the currency controls would be gone by the end of the year. He said the exact timing would be left to the central bank, the Riksbank.

Under the proposal, transactions abroad would be monitored through a foreign exchange bank to stop investors from evading Swedish taxes.

Economists said the measure would tend to reduce interest rates and trim inflation, which is running at more than 6 percent.

The budget proposal for the fiscal year beginning July 1 calls for spending of 375 billion kronor (\$60.5 billion), and shows a surplus of 400 million kronor.

The deregulation will remove the final barriers to currency movements, which the government had already relaxed. In 1986, foreign banks were permitted to open subsidiaries in Sweden, and Swedish companies gained the right to invest their profits abroad.

Under current restrictions, Swedes cannot hold foreign real estate worth more than 850,000 kronor or acquire other foreign holdings worth more than 250,000 kronor without special dispensation from the central bank.

Per Brannhammar, a currency analyst at Nordbanken, predicted

the move would lower interest rates by eliminating the monopoly of Swedish banks on the loan market.

"It will strengthen the krona and reassure people, especially in Europe, that Sweden is pursuing an international policy," he said.

Financial analysts had anticipated that removal of the restrictions would lure foreigners to low-risk Swedish paper. Accordingly, yields plunged by 40 points ahead of the announcement as prices rose. But later, yields rose by 20 points as dealers took profits.

Mr. Feldt said at a news conference that he hoped the move toward more competition would lead to higher efficiency in the Swedish economy, in which the public sector accounts for about 60 percent of gross national product.

(Reuters, AP)

JOBS: A Strategy for Fostering Growth, Slashing Unemployment in Europe

(Continued from page 1)

been inhibited from pursuing more expansionary policies because of fears over inflation, the balance of payments and public debt.

For Europe as a whole, however, says for a number of years, European economies, "these constraints are now less onerous than for many years."

"Inflation has been brought down to low levels, Europe is in balance of payments surplus, and public finances in some key European countries are looking relatively healthy," the report said.

But faster growth and market forces would not by themselves be enough to find jobs for the long-term unemployed, those in depressed areas, the low-skilled and young people with little experience of permanent employment, the commission argued.

Economic growth, with the help of a six-point investment-led expansion program, should be "based on a wide range of projects capable of creating many millions of jobs and improving the quality of life."

Government and private sectors should combine to finance infrastructure projects, such as telecommunications and transport networks and urban renewal, and promote environmental protection and pollution control.

There should be a Europe-wide integrated technology and innovation policy, "concentrated on research and more especially development," to facilitate industrial adjustment.

"Bureaucratic obstacles to trade" should be removed, the panel said, and at the same time, Western Europe should improve its trade and economic relations with

the poorest developing countries and the nations of Eastern Europe.

Among the more interventionist ideas contained in the commission's report were calls for more government aid to backward regions, shorter working hours and a minimum standard of income security for all citizens.

"It is not an appropriate long-run strategy to cut European wages and social standards in order to create low-wage jobs in the low-productivity service sector or to prevent low-wage industries from shrinking," the draft report said.

Tuesday's OTC Prices										Tuesday's AMEX Closing									
NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 100 most traded securities in terms of dollar volume. It is updated twice a week. Via The Associated Press										Tables include the nationwide prices as to the closing on Wall Street and do not reflect late trades elsewhere.									
12 Month High	Low	Stock	Div.	Yld.	PE Ratio	High	Low	4 P.M. Close	Net	12 Month High	Low	Stock	Div.	Yld.	PE Ratio	High	Low	4 P.M. Close	Net
12.12	11.88	IBM	3.00	6.25	15.0	125.00	124.00	124.00	124.00	12.12	11.88	IBM	3.00	6.25	15.0	125.00	124.00	124.00	124.00
11.50	11.25	Microsoft	0.00	0.00	0.0	100.00	98.00	98.00	98.00	11.50	11.25	Microsoft	0.00	0.00	0.0	100.00	98.00	98.00	98.00
10.00	9.75	Apple	0.00	0.00	0.0	80.00	78.00	78.00	78.00	10.00	9.75	Apple	0.00	0.00	0.0	80.00	78.00	78.00	78.00
9.50	9.25	Oracle	0.00	0.00	0.0	60.00	58.00	58.00	58.00	9.50	9.25	Oracle	0.00	0.00	0.0	60.00	58.00	58.00	58.00
8.75	8.50	Lotus	0.00	0.00	0.0	50.00	48.00	48.00	48.00	8.75	8.50	Lotus	0.00	0.00	0.0	50.00	48.00	48.00	48.00
8.25	8.00	Northern	0.00	0.00	0.0	40.00	38.00	38.00	38.00	8.25	8.00	Northern	0.00	0.00	0.0	40.00	38.00	38.00	38.00
7.75	7.50	QED	0.00	0.00	0.0	30.00	28.00	28.00	28.00	7.75	7.50	QED	0.00	0.00	0.0	30.00	28.00	28.00	28.00
7.25	7.00	World	0.00	0.00	0.0	20.00	18.00	18.00	18.00	7.25	7.00	World	0.00	0.00	0.0	20.00	18.00	18.00	18.00
6.75	6.50	Amgen	0.00	0.00	0.0	10.00	8.00	8.00	8.00	6.75	6.50	Amgen	0.00	0.00	0.0	10.00	8.00	8.00	8.00
6.25	6.00	Genentech	0.00	0.00	0.0	10.00	8.00	8.00	8.00	6.25	6.00	Genentech	0.00	0.00	0.0	10.00	8.00	8.00	8.00
5.75	5.50	Novartis	0.00	0.00	0.0	10.00	8.00	8.00	8.00	5.75	5.50	Novartis	0.00	0.00	0.0	10.00	8.00	8.00	8.00
5.25	5.00	Roche	0.00	0.00	0.0	10.00	8.00	8.00	8.00	5.25	5.00	Roche	0.00	0.00	0.0	10.00	8.00	8.00	8.00
4.75	4.50	Schering	0.00	0.00	0.0	10.00	8.00	8.00	8.00	4.75	4.50	Schering	0.00	0.00	0.0	10.00	8.00	8.00	8.00
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3.75	3.50	Wellcome	0.00	0.00	0.0	10.00	8.00	8.00	8.00	3.75	3.50	Wellcome	0.00	0.00	0.0	10.00	8.00	8.00	8.00
3.25	3.00	SmithKline	0.00	0.00	0.0	10.00	8.00	8.00	8.00	3.25	3.00	SmithKline	0.00	0.00	0.0	10.00	8.00	8.00	8.00
2.75	2.50	Beecham	0.00	0.00	0.0	10.00	8.00	8.00	8.00	2.75	2.50	Beecham	0.00	0.00	0.0	10.00	8.00	8.00	8.00
2.25	2.00	Glaxo	0.00	0.00	0.0	10.00	8.00	8.00	8.00	2.25	2.00	Glaxo	0.00	0.00	0.0	10.00	8.00	8.00	8.00
1.75	1.50	Wellcome	0.00	0.00	0.0	10.00	8.00	8.00	8.00	1.75	1.50	Wellcome	0.00	0.00	0.0	10.00	8.00	8.00	8.00
1.25	1.00	SmithKline	0.00	0.00	0.0	10.00	8.00	8.00	8.00	1.25	1.00	SmithKline	0.00	0.00	0.0	10.00	8.00	8.00	8.00
0.75	0.50	Beecham	0.00	0.00	0.0	10.00	8.00	8.00	8.00	0.75	0.50	Beecham	0.00	0.00	0.0	10.00	8.00	8.00	8.00
0.25	0.00	Glaxo	0.00	0.00	0.0	10.00	8.00	8.00	8.00	0.25	0.00	Glaxo	0.00	0.00	0.0	10.00	8.00	8.00	8.00

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BOOKS

JACK GANCE

By Ward Just. 279 pages. \$17.95. Houghton Mifflin, One Beacon Street, Boston, Mass., 02108.

Reviewed by Christopher Lehmann-Haupt

IN Ward Just's fascinating new political novel, "Jack Gance," the protagonist learns what his father, Victor, has not — the art of compromise.

Victor Gance, the scion of a wealthy Republican family, is a Chicago businessman who, for reasons never quite spelled out in the story, ran afoul of the Internal Revenue Service. As his son explains:

"In his absolute contempt for authority, my father chose not to fight the charges of the government. He refused to defend himself but he also refused to plead guilty. He gave his lawyers rein to do their work, but he would not testify in his own behalf. My father's hatred of the government, any authority, was fierce and without compromise. He thought the state beneath him. The usual rules did not apply." So he ends up going to prison.

Jack Gance, on the other hand, attends the University of Chicago, studies political science and in 1960 goes to work for "the machine," providing poll results based on his thesis that "hope, not fear, animated America at that time; and a campaign needed a narrative as much as a movie did, and for the same reasons."

Successful at helping to get John F. Kennedy elected president, Jack goes to Washington, becomes a White House insider in the 1970s and '80s and finally moves back to Chicago to run for the Senate.

When his campaign stalls for lack of money to buy television time, an old-time political operator approaches him with an offer.

In the novel's final scene, Senator Jack Gance lectures some "fine young people, seeking Washington for the very first time," on the "essence of public life" being "compromise."

"That was what made the government go, gave it its very existence. . . . In its symmetry compromise was more beautiful than defiance, which was inhumanous. It was immature. It was arrogant. In the Senate as in life you yielded, conceding ground; and your opponent did likewise and from that struggle came something durable and true-speaking. And you lived to struggle another day, always within the rules."

Now one might think from such a summary that Jack's concluding speech would be bitterly ironic, especially considering that the people Jack has compromised with turn out to be the ones who refused to help his father. But in the novel's context, Jack's words seem more wise than ironic. He has accepted his figurative castration. He reflects the truth of recent American history, and Just has caught that truth with more economy and texture than in most of his previous fiction.

Victor Gance represents the frontier, a legacy "not uncommon in the Midwest: you did not interfere, and you did not want to be interfered with."

Jack, by contrast, immerses himself in the life of the university, "the alluring Bohemia by the lake." There he meets and falls in love with Katrina Lauren, a war orphan from the rubble of Berlin.

"It was a whole-souled connection between us, as if we were blood kin, but Berlin had its own specific gravity. She brought the evil world to me, touched me with it, and I was better for it, and would never lose it."

Jack's political science professor, a Jewish refugee, abominates the university — "its license, its distance from the streets, its cradle-to-grave hypocrisy, its mediocrity" — and urges Jack to "get into the world." He says: "The world's a nasty place, and that is what makes it so interesting. City Hall is your graduate school. That's where the fieldwork is."

The world out there, the city that works, World War II, Berlin, the loss of innocence, "the meaning behind ordinary words and phrases."

Just broods on these matters in knowing, elliptical passages that will be familiar to readers of his nine previous works of fiction, among which "The Congressman Who Loved Flaubert" (1973), "Nicholson at Large" (1975), "In the City of Fear" (1982), and "The American Ambassador" (1987) are perhaps the most successful.

But what is striking about "Jack Gance" is how often its characters and incidents escape Jack's control and spring to life on the page independent of his determination to define them.

It might be said without too much absurdity that writing serious fiction about American politics is as difficult as playing golf on one leg, which figures in one scene. But like the character in his scene, Just persists. And with each succeeding book, he gets closer to mastering the game.

Christopher Lehmann-Haupt is on the staff of The New York Times.

BEST SELLERS

The New York Times
This list is based on reports from more than 2,000 bookstores throughout the United States. Works on list are not necessarily consecutive.

Week	Rank	Title	Author	Weeks on List
1	1	THE SANDS OF TIME by Sidney Sheldon		1
2	2	THE CARDINAL OF THE KREMLIN by Tom Clancy		2
3	3	ALASKA by James A. Michener		3
4	4	ONE by Richard Bach		4
5	5	THE POLAR EXPRESS written and illustrated by Chris Van Allsburg		5
6	6	DEAR MILLY written by Wilhelmina Grimm		6
7	7	THE QUEEN OF THE DAMNED by Anne Rice		7
8	8	ANYTHING FOR BILLY by Larry McMurtry		8
9	9	FINAL FLIGHT by Stephen Coonts		9
10	10	JOY by Danielle Steel		10
11	11	BREATHING LESSONS by Anne Tyler		11
12	12	SPY HOOK by Len Deighton		12
13	13	LOVE IN THE TIME OF CHOLERA by Gabriel Garcia Marquez		13
14	14	TILL WE MEET AGAIN by Judith Krantz		14

NONFICTION

1	1	ALL I REALLY NEED TO KNOW I LEARNED IN 'KINDERGARTEN' by Robert Fulghum	1
2	2	GRACE by George Burns	2
3	3	A BRIEF HISTORY OF TIME by Stephen W. Hawking	3
4	4	CHILD STAR by Shirley Temple Black	4
5	5	CHRISTMAS IN AMERICA edited by David Cohen	5
6	6	THE QUEEN OF THE DAMNED by Anne Rice	6
7	7	CHRISTMAS IN AMERICA edited by David Cohen	7
8	8	CHRISTMAS IN AMERICA edited by David Cohen	8
9	9	CHRISTMAS IN AMERICA edited by David Cohen	9
10	10	CHRISTMAS IN AMERICA edited by David Cohen	10
11	11	CHRISTMAS IN AMERICA edited by David Cohen	11
12	12	CHRISTMAS IN AMERICA edited by David Cohen	12
13	13	CHRISTMAS IN AMERICA edited by David Cohen	13
14	14	CHRISTMAS IN AMERICA edited by David Cohen	14
15	15	CHRISTMAS IN AMERICA edited by David Cohen	15

1	1	THE DICTIONARY OF CULTURAL LITERACY by E.D. Hirsch Jr., Joseph F. Kert and James Trefl	1
2	2	THE FRUGAL GOURMET COOKS AMERICAN by Jeff Smith	2
3	3	THE 5-STEP CHOLESTEROL CURE by Robert E. Kowalski	3
4	4	ALL YOU CAN DO IS ALL YOU CAN DO, BUT ALL YOU CAN DO IS ENOUGH by A.L. Williams	4
5	5	WEBSTER'S NEW WORLD DICTIONARY (Simon & Schuster)	5

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Jan. 10

Market	Index	Change
Amsterdam	3,500.00	+10.00
Bombay	1,200.00	+10.00
Buenos Aires	1,200.00	+10.00
Calcutta	1,200.00	+10.00
Colon	1,200.00	+10.00
Hong Kong	1,200.00	+10.00
London	1,200.00	+10.00
Manila	1,200.00	+10.00
Medan	1,200.00	+10.00
Osaka	1,200.00	+10.00
Paris	1,200.00	+10.00
Rangoon	1,200.00	+10.00
Singapore	1,200.00	+10.00
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Singapore	1,200.00	+10.00
Tokyo	1,200.00	+10.00
Yokohama	1,200.00	+10.00

ACROSS

1 Goose-neck
10 A.B.A. members
14 Sandalwood
15 Capn and Ischia: it
16 Mother of Hera
17 Fortness
19 Pitcher
20 Representation
21 Having feelings
22 Deceives
25 Requires
26 Author of "Black Open"
30 — in (collects)
33 Airport, for short
34 Thawicks
36 Baseball's Mel
37 Measures for wet
38 Sets right
39 Printer creation
40 Close
41 Friend of Slanich
42 Earl's star
43 Snuggle up
45 Puts emphasis on
47 Pays, as a bill
49 Grade
50 Manufacturers' output
53 Indolent
57 Air Comb form
58 Be left with the entire blame
60 Charge per unit
61 Baffle
62 Berlin creation
63 Old English letters
64 Carried on
65 Koppel and Husing

DOWN

1 Young lady
2 Orientalism, in a way
3 Madam, in Dogpatch
4 Things to be solved
5 Sow's baby
6 Tough timber tree
7 Dove sounds
8 Burstyn of the screen
9 Bigoted hicks
10 Calla lilies, e.g.
11 Entrances
12 Harold of the comics
13 River in Ariz.
14 Black, to Brigitte
15 Assam and keemun
16 Reliable
17 Madison Ave figures
18 Threefold
19 Speaks in public
20 Puts thumbs down
21 Story, in St. Lo
22 Eye ailments
23 Pennies
24 Als-born actress
25 Most pallid
26 Surname of three baseball brothers
27 Wharf space for a liner
28 Small flycatchers
29 Firmly established
30 Garb for Caesar's wife
31 Cut off
32 What to do between the lines
33 Hit hard
34 Haurboy
35 Kind of dollar or storm
36 — and-bacon (roadkill)
37 A.E.S. opponent

WEATHER

Region	High	Low	Forecast
EUROPE	15	10	Cloudy
ASIA	25	15	Clear
NORTH AMERICA	20	10	Partly Cloudy
SOUTH AMERICA	25	15	Clear
Africa	30	20	Clear
Latin America	25	15	Clear
Oceania	20	10	Partly Cloudy

DENNIS THE MENACE

Mr. Wilson said I should quit kindergarten and go to obedience school.

JUNIBL

Unmistakable four-letter words, one letter to each square, 10 letters in all.

NACHT
KLAYN
CLOIPY
BELUCK

Print answer here: " " " " " " " " " " " "

PEANUTS

WHY DON'T YOU WRITE TO YOUR BROTHER SPIKE WHO LIVES IN THE DESERT?

ASK HIM IF HE WANTS TO BE IN THE "UGLY DOG" CONTEST.

I'VE NEVER THOUGHT OF SPIKE AS BEING UGLY.

PATNETIC, MAYBE.

BLONDIE

Z

RING

OMIGOD! IT'S TIME TO GO HOME ALREADY!

WITHOUT THAT ALARM I SLEPT ON MY OWN TIME.

BEETLE BAILEY

GET THAT BRANCH OUT OF MY WAY, LT. FUZZ.

YES, SIR.

I'VE BEEN HELPING THE GENERAL GET RID OF SOME DEAD WOOD AROUND HERE.

ANDY CAPP

LET'S HEAR IT.

I WOULDN'T SULLY YOUR KISS, PET.

AS BAD AS THAT?

NORSE, I'VE BEEN REWARDED BY MYSELF.

POSITIVE, I'VE GOT MY STANDARDS.

WIZARD OF ID

THIS MAN WAS CAUGHT MANIPULATING STOCK!

ANOTHER WALL STREET CROOK?

NO—HE WAS BRANCHING HIS NEIGHBOR'S CATTLE.

REX MORGAN

DR. CRISP'S OFFICE DOOR WAS LOCKED AND THE LIGHTS OUT? FIGURED HE LEFT EARLY—SO I CALLED ANSWERING SERVICE! THEY SAID HE WENT OUT TOWN WOULDN'T BE BACK FOR TWO DAYS.

STRANGE THAT HE DIDN'T TELL US HE'D BE GOING AWAY.

I SUPPOSE IT DOESN'T MAKE MUCH SENSE TO BE JUST SITTING IN HIS OFFICE WHEN HE HASN'T PATIENTS TO SEE!

BUT HE CAN BE ATTENDING MEDICAL SEMINARS AND MEETING OTHER PHYSICIANS!

GARFIELD

DIETS

DIETS ARE LIKE JON'S SOCKS.

THEY STINK.

Solution to Previous Puzzle

PALMA CANE CLOP
ALLEN ADAM HOTE
STONECROPS ROOT
TAN LARS ROSES
OEMO SHEM
ATILE STONEHENG
ROUST MORE ORA
ROCK OF GIBRALTAR
AKA CARO TAINAT
SANDSTONES INTO
HIES APER
SPOON OGAM AGO
PAUL BOULDERDAM
ELSE APSE NAVE
TOES LETT DETER

DOONESBURY

I CAN'T BELIEVE HE JUST LEFT LITING HIS NAME WITH ZUCKER, FEE.

WHY IF HE JUST LEFT LITING HIS NAME WITH ZUCKER, FEE.

HE HADN'T TOLD ME HE WASN'T GOING TO BE THERE.

OH, HE'S CALLED "DOONESBURY" BECAUSE HE'S A DOG.

ANDY CAPP

LET'S HEAR IT.

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AS BAD AS THAT?

NORSE, I'VE BEEN REWARDED BY MYSELF.

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